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MUNDY'S
Earning Power of Railroads
1928
TWENTY-THIRD ISSUE

JAS. H. OLIPHANT & CO.
NEW YORK CHICAGO

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MUNDY'S Earning Power of Railroads

Twenty-third Issue

Stocks—Funded Debt—Mileage—Revenues—Expenses—
Maintenance—Rentals—Guarantees—Dividends—
Investments—Affiliations—Valuations, etc.

Compiled and Edited by

FLOYD W. MUNDY

JAS. H. OLIPHANT & CO.

1928

JAS. H. OLIPHANT & CO.

NEW YORK
61 BROADWAY

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PREFACE

In the following pages we present important statistics and other facts relating to the earning power and to the securities of railroads, arranged in convenient form for ready reference. The statistics are given for practically all the important railroads in the United States, with a few others, the securities of which are known, in a greater or less degree, to American investors.

The Introductory Chapters explain in a general way the fundamental principles which must be applied by the investor to inform himself as to the value of the stocks or bonds of any railroad.

The Tables, which give vital statistics regarding earnings, mileage, capitalization, tonnage, etc., are designed to present the statistics in such form as to permit easy comparison.

The Notes give information as to dividends and such other information about the railroads' capitalization, investments, physical and financial condition, etc., as appears to be of direct interest to the investor.

The official annual railroad reports have been used almost exclusively in the preparation of this book.

The method of presentation is, we believe, such as will readily commend itself to investors and others interested in the securities of railroads.

JAS. H. OLIPHANT & Co.

Year 1928.

An Acknowledgment

THE author desires to acknowledge his indebtedness to Hugh Bridgman, and Fred H. Taylor, of Jas. H. Oliphant & Co., for invaluable assistance rendered in the preparation of this book.

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**The Notes contain data on important
developments up to October, 1928.**

· INTRODUCTION

As a necessary preliminary to the discussion which follows, it must be stated that this book treats chiefly of the earning power of railroads, and deals but little with those features alike most essential to investors—the traffic resources and the financial and physical condition of the railroads. As a rule, comparison of the earning power of different roads can be made easily and intelligently owing to the uniformity in the income accounts submitted by the railroad companies. Legislation enacted in past years has resulted in establishing in the reports of railroads a practical uniformity in general which did not earlier exist. While the balance sheets of many railroads are not as complete and satisfying as they should be, yet individual investigation into the financial condition of any road can readily be made, and, as a rule, its strength or weakness financially ascertained.

All too few details are given in many railroad reports of today as to the physical characteristics, the character of rail and ballast, the number of grade crossings, the extent and nature of curvatures and gradients, and the number and character of bridges, culverts, etc., etc. Knowledge of all these, as well as of the character and density of traffic and of the general conditions attendant upon the obtaining and conduct of such traffic, is essential to the complete understanding of the merits of railroad securities; yet invaluable information bearing upon their relative merits can be acquired by comparison of the income accounts of the different roads. While the peculiar and varying conditions under which each individual road must of necessity be operated impair comparisons, yet analysis of such statements as are presented

in this manual points to certain undisputed conclusions and gives an index to the truth.

There are many railroads of which it must be said that their "investment in road and equipment," as exhibited in their financial statements, includes very large items representing altogether fictitious values. In fairness it must be stated that owing to large expenditures from earnings for improvements, additions, equipment, etc., property investment of a large number of railroads is today understated in their balance sheets. Where fictitious values are given it will be found that these result from the charges, dating perhaps long ago, of excessive amounts for "discount on bonds," "reorganization expenses," and through charges for construction of amounts which today would not be allowed. *Per contra*, taken in a strict sense, "bonds and stocks outstanding" represent in many instances little save an equity in earning power. So it becomes of prime importance to ascertain the "earning power" of each railroad in order that through the comparison of the "earning power" of each with that of the other, certain conclusions as to the respective merits of their bonds and stocks may be deduced.

INTRODUCTORY COMMENT

It is necessary to point out that the legislation enacted by Congress in June, 1906, gave absolute power to the Interstate Commerce Commission in its discretion to "prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to the provision of this Act, including the accounts, records, and memoranda of the movement of traffic as well as the receipts and expenditures of moneys. The Commission shall at all times have access to all accounts, records, and memoranda kept by carriers subject to this Act, and it shall be unlawful for such carriers to keep any other accounts, records or memoranda than those prescribed or approved by the Commission."

The provisions of this Act in so far as they relate to accounting for receipts and disbursements went into effect July 1, 1907. The reports issued by the railroads concerning operations prior to July 1, 1907, were made up on the old basis, and the statements and statistics given in this book so far as they relate to operations prior to July 1, 1907, are made up on the old basis.

Briefly, the instructions issued by the Commission, under the provisions of the Act above referred to, stipulate that, beginning July 1, 1907, charges for construction, additions, betterments, equipment and all such charges of an extraordinary nature and not strictly operating expenses are not to be charged to Maintenance Expenses or otherwise included in Operating Expenses so as to constitute a deduction from Operating Revenues. Expenditures of this nature may at the discretion of the railroad be either capitalized or deducted from the year's income as ascertained after all fixed

charges and dividends have been deducted. For example, beginning July 1, 1907, no charges are allowed to be made to Maintenance of Way for improvements or betterments to track or structures where such improvements or betterments exceed in each case \$200; so in the case of Maintenance of Equipment, the cost of new equipment, except where purchased for replacement, is not allowed to be charged (as in the past it had frequently been charged) to that account. It was the purpose of the Commission to establish definite rules and regulations which should govern renewals and depreciation accounts, in order that "all the cost of maintenance and not more than the cost of maintenance shall be charged to the maintenance accounts of Operating Expenses." The importance to the investor of the accounting rules then established by the Interstate Commerce Commission cannot be overestimated. To quote from a communication by the Interstate Commerce Commission, "there will arise a general confidence in railway securities which will give them a sure and stable value, provided the enterprise which they represent is a sound commercial enterprise."

The present system of accounting not only results in close uniformity in the reports of all the railroads, but also tends to prevent deception in either undercharging or overcharging Maintenance Expenses on account of repairs and renewals.

For the fiscal years ending June 30, 1908, to June 30, 1916, the railroads were allowed to base their charges for depreciation of equipment upon what they deemed a fair basis, stating in their reports to the Interstate Commerce Commission the exact basis upon which this depreciation was computed. Thereafter, as will be discussed in the

Chapters "Maintenance of Equipment" and "Maintenance of Way," the railroads in reporting to the Commission were required to make and justify charges account of depreciation of equipment, but reserves for depreciation of fixed improvements were optional.

By the Transportation Act of 1920, the Commission was directed to prescribe the classes of depreciable property and rates of depreciation to be charged. An order was issued in November, 1926, requiring the charge of depreciation on most items of fixed improvements beginning 1928. An estimate of past accrued depreciation on all property to the extent not provided by reserves was ordered to be made and set up on the books. The effective date of this order was later postponed indefinitely.

The Commission on July 1, 1914, issued a re-classification of Operating Expenses, which will be referred to hereafter. This classification of expenses provided for the creation of depreciation reserves for railroad property other than equipment by means of charges to operating expenses. The use of these depreciation accounts was for the time optional with the carrier.

In April, 1921, the Commission added to the classification of expenses two subsidiary accounts: "Equalization—Way and Structures," and "Equalization—Equipment," which carriers may keep if they desire under the respective maintenance accounts. This provision is for benefit of companies adopting a budget or estimate for maintenance of fixed improvements or equipment for a full year. If actual monthly expenditures do not equal a twelfth of the annual budget the difference is charged to equalization; on the other hand, if they exceed the amount allowed, equalization is credited. Concurrently a ledger account, styled "Equalization Re-

serve" (classed under Other Unadjusted Credits, or Debits), is debited or credited. These accounts have not been extensively used.

In the statements of Income Account in this book taxes are included in Fixed Charges as explained in Chapter XI. Reference is here made to this fact for the reason that according to the rules of the Interstate Commerce Commission, since July 1, 1907, taxes have been deducted from Net Operating Revenues and are not considered as a part of the Fixed Charges.

The text of the chapters immediately following is virtually the same as in the previous editions of this book. Certain of the suggestions embodied in the various chapters have from time to time been altered to meet new conditions and changes in accounting practice; yet as a whole, the integrity of the discussion on the analysis of railroad reports has remained substantially without change.

MUNDY'S

EARNING POWER OF RAILROADS

CHAPTER I

INCOME ACCOUNT

The Income Account, or statement of earnings and expenses for the fiscal period, may be set forth as follows:

Operating Revenues	\$10,000,000
Operating Expenses	6,000,000
<hr/>	
Net Operating Revenues	\$4,000,000
Taxes	375,000
<hr/>	
*Operating Income	\$3,625,000
Other Income	200,000
<hr/>	
Total Income, or Gross Corporate Income.....	\$3,825,000
<hr/>	

Deductions from Income, or Fixed Charges:

Interest	\$1,500,000
Rentals	75,000
Hire of Equipment	25,000
<hr/>	
Total Fixed Charges	\$1,600,000
<hr/>	
Net Income	\$2,225,000
<hr/>	
Dividends	\$1,000,000
Appropriations for Sinking Funds, etc.....	25,000
Additions and Betterments	700,000
Income Balance	500,000

**To arrive at Net Operating Income (sometimes shown) the net amounts of equipment and joint facility rentals are added to or deducted from Operating Income.*

For the sake of uniformity the general accounts as given in the statements of income in this book are arranged in order and styled as explained below:

**ACCOUNTS PRESCRIBED BY INTER-
STATE COMMERCE COMMISSION**

Operating Revenues
Operating Expenses
Net Operating Revenues
Taxes

Operating Income
Additions and Deductions
(Equipment and Joint Facility
Rents)
Non-Operating Income

Gross Corporate Income
Deductions from Gross Income

Net Income

TERMS USED IN THIS BOOK

Operating Revenues
Operating Expenses
Net Operating Revenues
*Taxes are included in Fixed
Charges, amounts being speci-
fied*

Not used
*Rentals are included in Other
Income or Fixed Charges,
amounts being specified*
*Other Income, including Net
Equipment and Joint Facility
Rents in addition to pre-
scribed items*

Gross Income
*Fixed Charges, including Taxes
and Net Equipment and Joint
Facility Rents in addition to
prescribed items*

Net Income

To any one at all familiar with railroad reports, each of the above items is self-explanatory. In ascertaining the earning power or the ability of a road to pay interest and dividends, the most important item of the Income Account to be considered is Operating Expenses.

CHAPTER II

OPERATING EXPENSES

The Operating Expenses of the railroads in the United States are classified according to rules prescribed by the Interstate Commerce Commission. The primary accounts are all embodied under seven general accounts as follows:

1. *Maintenance of Way and Structures.
2. Maintenance of Equipment.
3. Traffic Expenses.
4. Transportation Expenses.
5. Miscellaneous Operations.
6. General Expenses.
7. Transportation for Investment—Cr.

**Styled Maintenance of Way in this book.*

In the Table pages of this book, accounts (5) Miscellaneous Operations and (6) General Expenses are consolidated, while account (7) Transportation for Investment—Cr. is deducted from Transportation Expenses.

1. Under Maintenance of Way and Structures fall expenses for the repairs and renewals of machinery and tools, for repairs of roadway, track, tunnels and subways, for ballasting, for repairs and renewals of switches, frogs, ties, fences, bridges, culverts, stations, shops, buildings, etc., and (at present optionally) depreciation of structures, track, roadway, etc.

2. Under Maintenance of Equipment fall expenses for the repairs and renewals, as well as depreciation, of locomotives, passenger cars, freight and other cars and of steamboats and for the maintenance of shop machinery, etc.

3. Under Traffic Expenses fall wages of officers directly in charge of traffic, freight, passenger, baggage and other agents, expenses of outside agencies, advertising, fast freight lines, industrial and immigration bureaus, etc.

4. Under Transportation Expenses* fall wages of station employees, clerks, yardmen, flagmen, watchmen, enginemen and trainmen, cost of dispatching trains, expenses for telegraph and station service, cost of fuel and supplies for locomotives, expenses for water supply, loss and damage, operating joint yards and terminals (net), etc.

5. Under Miscellaneous Operations fall expenses of dining and buffet service, hotels and restaurants, grain elevators, stockyards, producing power sold, etc.

6. Under General Expenses fall salaries of general officers and office clerks, expenses for legal service, insurance, etc.

7. By means of this account, Transportation for Investment—Cr., Operating Expenses are credited with the cost of transportation on revenue trains of men engaged in and material for construction, which expense is concurrently charged to various property accounts.

It appears at once from the nature of the expenses which fall under these headings that the amount of the expenditures under one (1) and two (2) is, to a considerable degree, subject to the control of, and other things being equal, reflects the conservatism or lack of conservatism in, the road's management. On the other hand, under three (3), four (4), five (5), and six (6), fall expenditures which are wholly obligatory in that while they fluctuate each year

*Note: Where railways operate water lines their expenses are included in the account "Transportation—Water Lines" (in this book included in "Transportation Expenses").

with the volume of business, train mileage, etc., they are outlays which are for the most part incident to the current conduct of the road's traffic.

The classification of Operating Expenses, as above, is in accordance with a ruling of the Interstate Commerce Commission effective July 1, 1914. For the seven years prior to July 1, 1914, Operating Expenses were subdivided into five accounts, viz: (1) Maintenance of Way and Structures; (2) Maintenance of Equipment; (3) Traffic Expenses; (4) Transportation Expenses; (5) General Expenses. For a number of years prior to July 1, 1907, there were but four subdivisions of Operating Expenses in general use, viz:—Maintenance of Way and Structures, Maintenance of Equipment, Conducting Transportation, and General Expenses.

These subdivisions of the Operating Expenses may then be divided into two classes:

A. Maintenance Expenses.

B. Traffic, Transportation, Miscellaneous Operations, General Expenses, and Transportation for Investment—Cr.

CHAPTER III

A

MAINTENANCE EXPENSES

There are many railroads in the United States whose maintenance outlays have been clearly inadequate. Many more railroads are found, however, whose maintenance outlays have been heavily charged each year. Too often investors are deceived by the general statement in the annual report that "the management is gratified to be able to say to the shareholders that the close of the fiscal year finds the property of the company in as good condition as it was last year." This is not sufficient. Keen competition and the teaching of the numerous reorganizations have forced upon the managers the necessity of charging to income, items which were formerly charged, and from an accounting standpoint often might properly be charged, to capital account. So the management should be able to say, in lieu of the above, that the improvement work has so progressed during the fiscal period as to keep the property substantially abreast of its competitors. There are few railroads in the United States whose financial policy has been of a constructive order, which, with their earnings as reported under reasonably normal conditions of operation, have been unable fully to maintain their property and pay their fixed charges. There are many which, as the event has proved, were unable to do this and, in addition, pay dividends.

Comparison of the Maintenance Expenses of different roads operating under like conditions will tend to establish the relative policy pursued by each.

CHAPTER IV

MAINTENANCE OF WAY

Taking two roads in good condition, traversing the same territory and meeting with like conditions of traffic, etc., a cursory study as to their maintenance will establish which of the two is following the more conservative policy. The best standard to be followed by the average student of railroad reports is to reduce the Maintenance of Way Expenses to a "per mile" basis. Take the total expenses under this head and divide them by the average number of miles operated for the period under review. A certain amount must be appropriated each year for the maintenance of the roadway and structures, whether the business of the road be large or small. While these expenses must of necessity vary somewhat with the density of traffic, yet it by no means follows that a road with a density of 1,000,000 ton miles per mile of road should spend for Maintenance of Way ten times as much as another road which has a density of but 100,000 ton miles per mile of road. So it cannot be said that a road the Operating Revenues of which are \$20,000 per mile should spend ten times as much for Maintenance of Way as the road which earns but \$2,000 per mile. It follows that one road may appropriate 25 per cent. of its gross for a given period for Maintenance of Way and yet not spend so much relatively as the road which so appropriates but 15 per cent. of its gross.

Neither the density of the traffic nor the amount of Operating Revenues determines the fair requirement for Maintenance of Way. Conditions peculiar to each road will mar the comparison between the amounts per mile

expended by different roads. One road has a regular profile, as the Kansas City Southern; another traverses a mountainous country, as the Atchison; another obtains its ballast from its own gravel pits, conveniently located; another its ties with advantage; yet another has many and expensive bridges and tunnels to maintain, etc., etc. One road may expend but \$2,000 per mile for Maintenance of Way and yet better maintain the standard of its property than another road which expends an average of \$3,000 per mile. Some roads have branch lines where it would be wasteful under existing conditions of traffic to expend more than the minimum required for safe operation. The small expenditures on these branch lines would reduce considerably the average outlay for the system, yet it would not follow that this relatively small average outlay was working to the disadvantage of this system with reference to competitive business.

Obviously the road with a considerable mileage of second and third tracks should require a larger expenditure "per mile of road" for Maintenance of Way than the road with few or no additional main tracks. Where the roads to be compared have double tracks, comparison should be made of the Maintenance of Way "per mile of single main track," although it should be borne in mind that it costs more, under like conditions, to maintain two miles of single track than one mile of double track. Another modification arises from the fact that the nature and extent of the business of certain roads necessitate the maintenance of a relatively large percentage of side and passing tracks.

During recent years Maintenance of Way Expenses have shown a natural tendency to increase. Railroads, which in the past have used 75 to 80 pound rail in main track, have

made their renewals largely with the more costly 90 and 100 pound rail; likewise 50 to 60 pound rail has been replaced with 70 to 80 pound rail. The heavier rail has been found necessary owing to the increasing use of steel equipment and larger locomotives. The use of this heavy equipment has compelled the railroads to replace and strengthen bridges, culverts and embankments, and to spend large sums for ballasting, etc. Likewise ties, rail joints and other materials, have considerably advanced in cost.

It is, therefore, safe to say that when under fairly normal conditions a railroad's Maintenance of Way Expenses average below say \$1,500 per mile of road these expenses should receive careful scrutiny by the intending investor.

The system of accounts made effective July 1, 1914, provided for the depreciation of fixed improvements, but, pending a further order of the Interstate Commerce Commission, the use of the depreciation account was optional with the companies, and few adopted it. By the Transportation Act of 1920, the Commission was required to prescribe the classes of property for which depreciation charges might properly be included under operating expenses and the percentages of depreciation to be charged. An order was issued in November, 1926, requiring the railroads to institute depreciation accounting effective January 1, 1928, for fixed improvements as well as for equipment. The effective date of the order was later made January 1, 1929, and again was postponed indefinitely. Hearings have been held and evidence submitted by the railroad companies which may result in modification of the order.

Practically all items of fixed improvement to property are to be depreciated under the order, including structures of every description, tunnels, trestles, fences, crossings and

signs, signals and interlockers, shop and other machinery, telegraph and telephone lines, power lines and conduits, etc., and ties, rails, and other track material, ballast and paving. A few items, such as grading, track laying and surfacing, land for transportation purposes, etc., are not classed as depreciable. Prior to September 1, 1927, but later postponed indefinitely, the railroads were ordered to submit estimates of the composite percentage rates of depreciation applicable to each class of property, following which temporary orders as to rates to be employed would be issued.

In addition, the companies were instructed to make a subdivision or redistribution of road and equipment investment, placing the different classes of depreciable property in separate accounts. For property installed prior to 1914 the quantities and prices determined by the Bureau of Valuation are to be used, for property installed after June 30, 1914, but before the date of valuation the quantities are to be as determined by the Bureau of Valuation but the prices are to be actual, and for property subsequently installed the actual investment is to be used. Further, the companies were required to estimate the past accrued depreciation in the entire property unprovided for by a reserve, and to credit this estimated amount to reserve and concurrently charge it to a suspense account on the assets side of the balance sheet, this deferred liability then probably to be extinguished gradually by charges to profit and loss. The effective date of this part of the order has been indefinitely postponed.

CHAPTER V

MAINTENANCE OF EQUIPMENT

Comparison of the Maintenance of Equipment Expenses "per mile of road" avails little. The best basis for testing the sufficiency of these is to ascertain the average amount expended on equipment per unit of service rendered by the equipment; that is, the average outlay per locomotive per mile run, per freight car per mile run and per passenger car per mile run. Maintenance of Equipment depends not alone upon the amount of equipment to be maintained, but also upon the service rendered by the equipment. It stands to reason that the Erie Railroad, for example, with a freight density, as of 1927, of 4,384,332 ton miles and a passenger density of 274,689 passenger miles per mile of road, must expend more "per mile of road" for Maintenance of Equipment than the Atchison, with a freight density as of last year of 1,318,735 ton miles, and a passenger density of 108,810 passenger miles per mile of road. The relatively larger volume of business done or work performed by the Erie requires a relatively larger amount of equipment and a greater service to be rendered by its equipment. It will be found that Maintenance of Equipment Expenses have usually a direct relation to the road's freight and passenger density, this relation being affected to a considerable degree by train and car loading and other essential factors.

An example will tend to establish that equipment maintenance has necessarily no relation to gross earnings. Suppose the tonnage of one road consists altogether of low class freight, as coal or iron ores, and the tonnage of another road wholly of high class freight. Each road earns \$30,000

per mile. The density of the first road's traffic and, as a consequence, the service rendered by its equipment, must be far greater than that of the second road. The business of the one road might be successfully conducted with one-third of the equipment and power required by the other: *ergo*, an outlay of \$3,500 per mile for equipment maintenance on the road with the low class tonnage might be no greater relatively than an outlay of \$2,000 per mile on the other road.

It may be said that under conditions prior to the war an average of \$2,500 to \$3,000 per annum per locomotive, \$75 to \$85 per annum per freight car and \$750 to \$850 per annum per passenger car approximated normal maintenance requirements. (See pages 29 and 30.) All this depends much upon the character of equipment required in the service. It usually costs less, for example, to purchase and maintain coal cars and flat cars than box cars and refrigerator cars. No argument is necessary to show that it must cost more per unit to maintain a small equipment than a larger one.

Among other important considerations which bear upon the cost of maintaining a road's locomotives and cars may be mentioned the location and equipment of its shops.

There are many roads where, although maintenance both for roadway and equipment was clearly surcharged, the extent of the excess of maintenance over normal requirements could not be taken as earning power. Take, say, during their rehabilitation period two railroads in a run-down condition as distinct from the Lackawanna or the Illinois Central Railroad. While the Lackawanna and the Illinois Central have not usually reported net income much in excess of dividend requirements, yet these companies should be able to pay steadily reasonable dividends for the reason

that when there comes a bad year, there is, and for years has been, abundant opportunity for curtailment of maintenance expenses. After reorganization, in the case of the run-down properties, the needs were so unusual as to make imperative extraordinary charges to operating expenses for maintenance. The excess of these expenses over normal requirements could be considered only as offering a promise of future dividend earning capacity. It could in no way be taken as an immediate margin of safety.

The railroad companies have charged to Maintenance of Equipment during recent years amounts for depreciation varying from 6 per cent. to 1 per cent. and less, under the following order of the Interstate Commerce Commission:

"EQUIPMENT DEPRECIATION.—The various depreciation accounts shall include uniform monthly charges representing the depreciation of equipment. These charges shall be based upon the percentage of the original cost (estimated if not known), ledger value, or purchase price of such equipment determined to be equitable from the carrier's experience and best sources of information as to the average current loss from depreciation. A statement of the percentages used by the carrier for computing these charges, together with the estimated life of the equipment upon which such percentages are based, shall be included in its annual report to the Commission.

"Depreciation charges with respect to any equipment shall cease when the difference between the ledger value and the estimated scrap value shall have been credited to the accrued depreciation account."

The Transportation Act of 1920 directed the Interstate Commerce Commission to fix uniform rates of equipment depreciation to be used by all carriers, and investigation to

determine a fair set of rates was undertaken. By order of the Director General of Railroads, May 22, 1919, carriers were required during the period of Federal control to depreciate equipment placed in service after December 31, 1917, at the rate of $4\frac{1}{2}$ per cent. A number have continued to do so since March 1, 1920, when Federal control ended.

By an order of November 2, 1926, the Interstate Commerce Commission directed the railroad companies to submit prior to September 1, 1927, later postponed indefinitely, estimates of the composite average rates of depreciation applicable to the ledger values of equipment (also other property), following which temporary orders as to rates to be employed would be issued. Also the order required a redistribution of accounts and an estimate of past accrued depreciation unprovided by reserve. See on page 23.

Rates employed recently by some of the large companies were as follows:

	Loco- motives %	Pass- enger Cars %	Freight Cars %	Work Equip- ment %
†Atchison, Top. & S. F. Ry.....	4.5	4.5	4.5	4.5
Atlantic Coast Line R. R.....	3	2	3	2
†Baltimore & Ohio R. R.....	3	3	4	5
*Chic. & North West. Ry.....	2.5	2.5	2.5	2.5
Chicago, Burlington & Quincy R. R.	4	4	4	4
†Chicago, Mil., St. P. & P. R. R...	3	2.5	3.5	4
†Del., Lack. & West. R. R.....	4.5	2.5	5	5
*Erie R. R. (a).....	3	3	4	4
†Great Northern Ry.....	4	4	4	4
†Illinois Central R. R.....	4	4	5	5
Lehigh Valley R. R. (b).....	3.5	4	2.5	4
†New York Central R. R.....	2.5	2.5	2.5	2.5
N. Y., New Haven & Hartf. R. R.	3.5	3.5	4	4

	Loco- motives %	Pass- enger Cars %	Freight Cars %	Work Equip- ment %
Northern Pacific Ry.	4	4	4	4
†Pennsylvania R. R. (b).....	4	2.5	2.5	2.5
†Reading Co.	4.5	4.5	4.5	4.5
Southern Pacific Co.	3	3	3	4
*Southern Ry. (c).....	2	2	2.75	2.75
‡Union Pacific R. R. (d)	3.44	3.73	3.31	4.75

*Basis of cost less salvage value.

†Basis of original cost or ledger value.

‡On all equipment put in service beginning 1918, 4½%.

(a) On equipment acquired since June 30, 1914.

(b) On wooden cars, 4%.

(c) On steel freight and work cars, 2½%.

(d) On steel cars, pass. 3.23%, freight 3.15%, work 4.40%; on wooden cars, freight 4%, work 4.40%.

For roads of Class 1 (having annual operating revenues above \$1,000,000) in the years 1927, 1926, 1925, 1924, 1923, and 1922, the average cost of repairs per unit of equipment owned as of December 31 was as follows:

		Loco- motives	Freight Cars	Passen- ger Cars	Work Cars
United States	1927.....	\$7,163	\$147	\$1,509	\$175
	1926.....	7,390	161	1,557	179
	1925.....	7,179	158	1,535	164
	1924.....	7,157	162	1,562	163
	1923.....	8,605	205	1,673	206
	1922.....	6,852	178	1,440	141
Eastern District	1927.....	7,627	149	1,459	228
	1926.....	7,950	169	1,501	248
	1925.....	7,611	164	1,443	239
	1924.....	7,386	164	1,518	226
	1923.....	9,428	224	1,655	319
	1922.....	7,373	185	1,445	225
Southern District	1927.....	7,383	156	1,468	156
	1926.....	7,620	161	1,625	168
	1925.....	7,434	160	1,671	158
	1924.....	7,493	163	1,658	187
	1923.....	7,954	200	1,717	183
	1922.....	6,649	178	1,470	132

THE EARNING POWER

		Loco- motives	Freight Cars	Passen- ger Cars	Work Cars
Western District	1927.....	\$6,604	\$138	\$1,599	\$146
	1926.....	6,630	150	1,605	135
	1925.....	6,559	150	1,604	116
	1924.....	6,735	158	1,583	112
	1923.....	7,916	183	1,681	135
	1922.....	6,323	168	1,420	94

The average retirements and depreciation per unit of equipment were as follows:

		Loco- motives	Freight Cars	Passen- ger Cars	Work Cars
United States	1927.....	\$1,011	\$57	\$368	\$63
	1926.....	954	56	324	62
	1925.....	906	54	311	59
	1924.....	841	51	272	53
	1923.....	794	52	249	51
	1922.....	692	42	231	39
Eastern District	1927.....	1,072	54	370	75
	1926.....	1,063	56	338	75
	1925.....	1,007	53	316	74
	1924.....	928	50	279	72
	1923.....	887	54	250	72
	1922.....	760	43	225	53
Southern District	1927.....	968	60	350	65
	1926.....	886	59	288	59
	1925.....	844	61	301	61
	1924.....	754	62	250	56
	1923.....	729	64	231	48
	1922.....	636	49	212	40
Western District	1927.....	962	58	372	54
	1926.....	860	54	319	51
	1925.....	818	52	308	47
	1924.....	781	47	272	39
	1923.....	714	45	253	39
	1922.....	634	37	247	30

CHAPTER VI

B

TRAFFIC AND TRANSPORTATION EXPENSES, MISCELLANEOUS
OPERATIONS, ETC.

As previously suggested, under these subdivisions of the operating expenses fall those expenses which, as distinct from Maintenance of Way and Maintenance of Equipment, must be taken as in large part being in the nature of a fixed or obligatory charge. They relate and are incident to the immediate conduct of the road's business, and like those commonly called "fixed charges"—interest, taxes and rentals—their payment cannot long be delayed. If a road is hard pressed, means may be found whereby the payment of a portion of these expenses can be postponed, but only for a short time. In the discussion as to maintenance expenses it was made clear that those expenses are, under necessity or in the discretion of the management, capable of curtailment. It will be found that the amount per mile of the Transportation Expenses has a general relation to the traffic density. This results from the fact that these expenses depend largely upon the train mileage; engine mileage also is an important factor. As density increases, other things, as trainload and carload, being equal, the train mileage increases.

To the average investor the essential thing to consider is the percentage of Operating Revenues required for these groups of Operating Expenses. Where this and the percentage of gross required for Fixed Charges is given, it is seen what remains for maintenance and dividends. The

questions of train and engine mileage, train and car loading, ton and train mile cost and earnings, etc., are of extreme interest and should be carefully dealt with. These will be passed over here in favor of the more vital consideration which reflects all these—the bearing of operating expenses (other than maintenance) upon gross earnings. It is believed that it is not far from the truth to say that for all the railroads in the United States these expenses did not require for the year 1915 more than 38 to 40 per cent. of the total gross earnings. War conditions and Federal operation destroyed largely the significance of later statistics.

Traffic Expenses, Miscellaneous Operations and General Expenses have no such relation to traffic density as have the Transportation Expenses. They tend to constancy and vary but little with the amount of business done. These expenses are often relatively greater on a small than on a large road. As Traffic Expenses, Miscellaneous Operations and General Expenses make up but a small part of the operating expenses, and as they partake of the nature of Transportation Expenses, as distinct from Maintenance Expenses, it is proper here to class them with the Transportation Expenses.

Where, in the comparison of two roads with like character of business, it is found that these expenses of one require a relatively larger percentage of gross than in the case of the other, it means one or both of two things: either that with relatively like rates for the work performed the one road is not conducting its business with the same degree of economy as the other, or that, with like relative economy in the conduct of its business, the rates received by it for work performed are relatively smaller. In the use here of the word "economy," it is understood that the

measure of economy is net results. To show the significance of this percentage to the investor, consult for example, the records of the Chicago Great Western and the Atchison, Topeka and Santa Fe. The character of the tonnage of these two roads is very similar. For the year ending December 31, 1927, Operating Expenses other than Maintenance consumed 47.4 per cent. of the Great Western's total income against 32.7 per cent. for the Atchison. These expenses have continually required a very large percentage of the Great Western's total income each year, and their ratio to total income has shown little tendency to become less. When it is remembered that these expenses partake of the nature of a fixed charge upon gross, the full significance is apparent. Let it be assumed that the annual interest, taxes and rentals had required in 1927, 20 per cent. of the gross for both the Great Western and the Atchison. Of the Great Western's gross, then 67.4 per cent. would have been consumed by these "fixed" charges, leaving 32.6 per cent. for maintenance and dividends. Of the Atchison's gross, but 52.7 per cent. would have been consumed by "fixed" charges and 47.3 per cent. would have been left for maintenance and dividends. It is clear that the margin of safety for dividends would have been far greater for the Atchison than for the Great Western. The actual margin of safety for the Atchison was greater than has been here indicated, because interest, taxes and rentals required 13.0 per cent. of the total income of 1927 against 18.5 per cent. for the Great Western.

While the larger percentage of gross required for these groups of Operating Expenses in the case of one road reflects what has been called "relatively less economy" in

operation, yet this by no means implies a relative lack of efficiency in the management. A railroad might be operated with the highest degree of efficiency, yet the average rates received, and consequently the gross earnings, might be so small as to make these expenses bear a very high ratio to the gross.

When rates, trainloads, etc., tend to constancy, the ratio of Transportation Expenses varies inversely with Operating Revenues.

It is shown in what follows that the margin for maintenance and dividends may be greater on the road with large Operating Revenues per mile, where the Operating Expenses other than Maintenance require say 45 per cent. of the gross, than on the road with small Operating Revenues per mile, where those expenses require but 40 per cent. of the gross. For the first road 20 per cent. of the gross might be ample for maintenance, while 35 per cent. of its gross might be an insufficient allowance for the second road. The fact remains after all, that, other things being equal, where these expenses are relatively larger, the margin of safety is relatively less.

CHAPTER VII

THE OPERATING RATIO

What has gone before leads naturally to the discussion of the Operating Ratio in its bearing upon this question of earning power. It is with great difficulty that many investors are dissuaded from the belief that the Operating Ratio is of supreme importance. Where a road in pre-war periods was reported as operating at 50 per cent., it was not uncommon to hear it said that "it cannot be done." Another road reported operating at 75 per cent., and it was said that because of this high Operating Ratio there was manifestly "abundant opportunity for curtailment in expenses." It may be stated at once that the Operating Ratio, or the ratio which operating expenses bear to operating revenues, has of itself no significance whatsoever. A few examples will tend to establish this fact.

The operating revenues and operating expenses of roads "A," "B," "C," "D," and "E," may be taken as given in the table on page 36. For the sake of argument, it is assumed that it requires for normal maintenance of road and equipment no more "per mile of road" for one of these roads than for another.

THE EARNING POWER

	A 1,000		B 1,000		C 2,000		D 5,000		E 1,000	
	TOTAL	PER MILE	TOTAL	PER MILE	TOTAL	PER MILE	TOTAL	PER MILE	TOTAL	PER MILE
Average mileage owned and operated.....										
Operating Revenues	\$10,000,000	\$10,000	\$10,000,000	\$10,000	\$10,000,000	\$5,000	\$10,000,000	\$2,000	\$30,000,000	\$30,000
Maintenance of Way.....	1,250,000	1,250	750,000	750	1,000,000	500	1,500,000	300	3,000,000	3,000
Maintenance of Equipment.....	1,250,000	1,250	750,000	750	1,000,000	500	1,500,000	300	3,000,000	3,000
Ratio of "Maintenance" to Gross...	25 %		15 %		20 %		30 %		20 %	
Traffic and Other Operating Expenses.....	3,000,000	3,000	4,500,000	4,500	4,500,000	2,250	4,500,000	900	9,000,000	9,000
Ratio of "Traffic and Other Operating Expenses" to Gross	30 %		45 %		45 %		45 %		30 %	
Total Operating Expenses.....	5,500,000	5,500	6,000,000	6,000	6,500,000	3,250	7,500,000	1,500	15,000,000	15,000
Ratio "Operating Expenses" to Gross ..	55 %		60 %		65 %		75 %		50 %	
NET REVENUES.	4,500,000	4,500	4,000,000	4,000	3,500,000	1,750	2,500,000	500	15,000,000	15,000

It is clear that road "A," operating at 55 per cent., makes more liberal outlay for maintenance than roads "B," "C," and "D," which operate at 60 per cent., 65 per cent., and 75 per cent., respectively. Consequently road "A" has greater room for curtailment in its maintenance. Road "A" includes in its operating expenses sums in excess of normal requirements for maintenance, road "B" spends enough for maintenance, while the expenses of "C" and "D" fall considerably below the average requirements. The \$1,500,000 or 15 per cent. of its gross, expended by road "D" for maintenance of way on its 5,000-mile road is by far a relatively smaller outlay than that of road "A," where \$1,250,000, or but $12\frac{1}{2}$ per cent. of its gross, is so expended on 1,000 miles of road. Now, take road "E." It is seen that while traffic and other operating expenses require the same percentage of operating revenues, "E," operating at 50 per cent., spends for maintenance 140 per cent. more than "A," which is operated at 55 per cent. The table explains itself. It is unnecessary to give more examples (many more might be given) to show that the Operating Ratio of itself is of no significance. Wherever it may have significance it will be found to be wholly the result of accident.

Were it not for the diverse conditions which normally affect the question of maintenance in each individual road and for the unusual conditions obtaining in recent years, it might be possible to arrive at certain definite rules as to the percentage of gross required for maintenance in different classes of railroads. One rule would suggest itself, that for average maintenance requirements for Southern roads the operating revenues of which amount to, say

\$10,000 per mile, an annual appropriation of from 25 per cent. to 30 per cent. of the gross, would, under normal conditions, be ample. Another rule might be found to apply to such roads as the Central of New Jersey, the Delaware, Lackawanna and Western, etc., to the effect that, where gross earnings exceed \$50,000 per mile, an appropriation of from 20 per cent. to 25 per cent. of gross would be more than sufficient for average maintenance requirements. The mere statement of any "rule" must of necessity be clothed with so many exceptions and modifications as to make one lose sight of the rule itself.

CHAPTER VIII

FIXED CHARGES

Under Fixed Charges fall interest on the funded and floating debt, rentals of leased lines, embracing guaranteed dividends, etc., rent for equipment and joint facilities, and taxes (also, in some few cases, sinking-fund payments). (The Interstate Commerce Commission directed that, beginning July 1, 1907, taxes be deducted from Net Operating Revenues and not included either in Fixed Charges or in Operating Expenses. In this book taxes are included in Fixed Charges.) The investor should examine the annual report carefully to ascertain whether or not interest charged in the Income Account is a full year's proportion on all the bonds outstanding at the close of the year; in some instances it will be found that a large bond issue has been sold late in the year. Another important suggestion which may be made here is that the investor look to ascertain what the situation may be in the case of this or that road for future saving or increase in its interest charges when refunding operations are required.

Very few roads are required to-day to set aside each year from earnings specific amounts for sinking fund purposes. Where such appropriations occur, an attempt has been made in this book to segregate them from the Income Account.

As there is of itself little significance in the comparison of the average trainloads or average train miles, and as there is of itself no significance in the comparison of the Operating Ratio of different roads, so, from the investor's standpoint, there is necessarily no significance to be attached to the fact that one road has a bonded debt of \$30,000 per

mile, while the bonds outstanding on another road amount to but \$15,000 per mile. Likewise, the fact alone that the Fixed Charges of one road amount to \$10,000 per mile of road against \$2,000 per mile on another shows by no means that the bonds of the latter are more secure. (Compare Richmond, Fredericksburg and Potomac R. R., page 134, and the Midland Valley Ry., page 162.) The essential consideration here, as in the case of those quasi-fixed charges, the Operating Expenses other than Maintenance, is the ratio which these charges bear to Operating Revenues and the ability of the road to pay these charges. It stands to reason that the New York Central, with \$55,000 per mile gross receipts, could more easily provide for the interest on bonds aggregating say \$90,000 per mile than could the St. Louis-San Francisco, with \$16,000 per mile gross, provide for interest on a bonded debt of say \$55,000 per mile.

It demands no proof to show that Fixed Charges of \$600 per mile on one road might be a heavier burden on earnings than Fixed Charges of \$1,000 per mile on another, although in each case the percentage of gross required for these charges is but 20 per cent. Take as Operating Revenues for the first road \$3,000 per mile, and for the second \$5,000 per mile. Let Operating Expenses other than Maintenance require 35 per cent. of the gross for each road. Here is 55 per cent. of gross consumed by "fixed" charges in each case. The one road has 45 per cent. of \$3,000 per mile, or \$1,350 per mile for maintenance and surplus; the other has 45 per cent. of \$5,000 per mile, or \$2,250 per mile remaining for maintenance and surplus.

As a rule, where, on a basis of earnings such as they averaged in pre-war years, the Fixed Charges of any given road required less than, say, 22 per cent. of Total Income,

and where the Net Income after payment of all Operating Expenses (including liberal outlays for maintenance), amounted to not less than, say, 17 per cent. of the Total Income, the interest on the road's bonds was to be considered very secure. It should be noted that this is not the same situation as would be presented were it stated, for example, that the interest is secure where the Fixed Charges require, say, 50 per cent. or less of the Net Income, for the reason that Operating Expenses (including proper outlay for maintenance) might in one case require 90 per cent. of the Total Income against 60 per cent. in another case. The Fixed Charges in the first case might require but 50 per cent. of the Net, or 5 per cent. of the Total Income; in the second case they might require, likewise, 50 per cent. of the Net, or 20 per cent. of the Total Income. Should the Total Income show a proportional decrease of, say, 15 per cent. for each road, other things being equal, one road would show a deficit after Fixed Charges, while the other road would show a surplus.

The percentage of Fixed Charges varies in an inverse ratio with Total Income.

Observe the following tables wherein are given the income accounts of roads "A" and "B," the figures being stated both in full and reduced to a "per mile" basis.

TABLE I.

	A.	Per	B.	Per
Miles Operated	1,000	Mile	1,000	Mile
Operating Revenues	\$10,000,000	\$10,000	\$10,000,000	\$10,000
Operating Expenses	6,000,000	6,000	6,000,000	6,000
Net Operating Revenues.....	4,000,000	4,000	4,000,000	4,000
Fixed Charges	2,000,000	2,000	3,000,000	3,000
<i>Ratio of Fixed Charges to</i>				
<i>Gross</i>	20%		30%	
Net Income	2,000,000	2,000	1,000,000	1,000

OPERATING EXPENSES.

Maintenance of Way.....	\$1,250,000	\$1,250	\$1,250,000	\$1,250
Maintenance of Equipment...	1,250,000	1,250	1,250,000	1,250
<i>Ratio of Maintenance to Gross</i>	25%		25%	
Traffic and Transportation...	3,000,000	3,000	3,000,000	3,000
Miscellaneous Operations and General Expenses	500,000	500	500,000	500
<i>Ratio of Traffic and Other Operating Expenses to Gross</i>	35%		35%	

In the above comparison of the income accounts of roads "A" and "B" the operating expenses are in every respect alike. The fixed charges of road "A" require 20 per cent. of the gross and of road "B" 30 per cent. of the gross. The net income of "A" amounts to \$2,000,000 and that of "B" to \$1,000,000.

Assume that operating revenues decrease 25 per cent., and that roads "A" and "B" are operated as before at 60 per cent. The income accounts would appear somewhat as follows:

TABLE II.

	A.	Per	B.	Per
Miles Operated	1,000	Mile	1,000	Mile
Operating Revenues	\$7,500,000	\$7,500	\$7,500,000	\$7,500
Operating Expenses	4,500,000	4,500	4,500,000	4,500
Net Operating Revenues.....	3,000,000	3,000	3,000,000	3,000
Fixed Charges	2,000,000	2,000	3,000,000	3,000
<i>Ratio of Fixed Charges to Gross</i>	26.6%		40%	
Net Income	1,000,000	1,000	0,000,000	0,000

OPERATING EXPENSES.

Maintenance of Way.....	\$950,000	\$950	\$950,000	\$950
Maintenance of Equipment.....	700,000	700	700,000	700
<i>Ratio of Maintenance to Gross...</i>	22%		22%	
Traffic and Transportation.....	2,350,000	2,350	2,350,000	2,350
Miscellaneous Operations and General Expenses	500,000	500	500,000	500
<i>Ratio of Traffic and Other Oper- ating Expenses to Gross.....</i>	38%		38%	

Here Maintenance Expenses are curtailed; Traffic and Transportation Expenses, while requiring a greater percentage of gross, are smaller, due to less business handled; and Miscellaneous Operations and General Expenses remain the same. The fixed charges remain the same and they require 26.6 per cent. of road "A's" gross and 40 per cent. of road "B's." While the percentage required for "B's" fixed charges is 10 per cent. greater than in the example given first above, the percentage required for "A's" fixed charges is about 6.6 per cent. greater than it was before the earnings decreased. Road "A" shows \$1,000,000 net income, while "B's" income is entirely wiped out.

CHAPTER IX

STOCK OUTSTANDING IN ITS RELATION TO EARNING POWER

What has gone before shows that a railroad's earning power cannot be measured by the net income alone. Analysis of the maintenance expenses indicates the integrity of the net revenues, and consequently integrity of the net income. Where maintenance is found to be insufficient, the investor knows that earnings must be drawn upon to a greater extent, and that if the gross is not large enough to allow of a greater appropriation, future increases in earnings must be used so far as they may be to bring the maintenance outlay up to fair requirements. Where maintenance is found to be ample or to exceed normal requirements, the investor knows that a future increase in revenues may rightly be reflected in a larger net income.

A comparison of the results of two companies, say Railroad No. I and Railroad No. II, is instructive as illustrating this point. The maintenance expenses of the former road for years, say prior to 1927, were far below normal requirements, while Railroad No. II for years charged its expenses very fairly. Owing to its large annual fixed charges Railroad No. I found it impossible to appropriate a greater percentage of its gross for maintenance. For the year 1927 both of the lines showed large increases in earnings. The greater part of the increase of Railroad No. I was diverted to the maintenance accounts, while the increase in the earnings of Railroad No. II was for the most part carried into net income. Many railroads can safely cause a reduction in their maintenance expenses and thus add largely to their income; for example, the maintenance expenses in certain years of

the Delaware, Lackawanna and Western, and of the Pittsburgh and Lake Erie were far above the necessary average requirements.

It has been demonstrated also in the foregoing chapters that where the operating expenses other than maintenance or where fixed charges are a relatively heavy burden on gross earnings, the margin of safety represented in net income is relatively small. For exactly those reasons that make greater or less the margin of safety represented in a road's net income, it follows that the margin of safety for dividends for one road which earns 10 per cent. on its capital stock is necessarily by no means so great as that for another road which also earns 10 per cent. on its stock.

The capital stock of road "A," the income account of which was given on page 41 (Table I), is, let us say, \$20,000,000 and that of "B," \$10,000,000. While each road earned 10 per cent. on its stock, yet it is shown in Table II, page 42, that with like decreases in gross earnings, "A" earned 5 per cent. on its stock and "B" earned nothing at all. So the amount earned on the stock of one road might equal 15 per cent., and yet the margin of safety might not be so great as in the case of another road where but 10 per cent. was earned.

An earning power of 10 per cent. on Mobile and Ohio stock means far less as to the margin of safety for dividends than does an earning power of 10 per cent. on Illinois Central stock, Chicago, Burlington and Quincy stock, or Louisville and Nashville stock.

In any comparison of the earning power of two roads, it is important to note, in connection with other essential facts, what percentage of the operating revenues is required to pay 1 per cent. on the stock of each.

The common stock of the New York, Ontario and Western, which operated 569 miles of road in 1927, is not much less than that of the Lehigh Valley, which operated 1,364 miles of road. The gross earnings of these roads were approximately \$23,100 and \$54,600 per mile, respectively, for the year ending December 31, 1927. Inasmuch as the total gross earnings of the New York, Ontario and Western for that year were only about 22 per cent. on its capital stock, it must be a long time before the earning power of the road will warrant a high price for the stock.

That the rate of dividends paid on a road's stock does not determine the value of that stock is evidenced as well by the market value of such stocks as Central R. R. of New Jersey and the Lackawanna as by the comparatively recent market value of such a stock as Great Northern preferred. The value of a stock is usually determined by the earning power or the ability of the road to pay dividends. This earning power is determined not only by the margin of safety represented in net income, but also by the stability or lack of stability of the operating revenues. The character of the tonnage and the natural resources and development of the territory traversed are to be considered in their bearing upon the stability of the road's traffic.

Certainly the earnings for any one year cannot be taken as demonstrating a road's ability to pay its interest or to pay dividends. The investor must consider the course of earnings for a series of years as well as the prospects for the future. He must recall, when comparing the earning capacity of Illinois Central with that of St. Louis Southwestern, that while each of these roads may be earning 10 per cent. on its present outstanding common stock, the common stock of Illinois Central includes about \$60,000,000 stock sold during

recent years at par, the proceeds from the sale of which were used for improvements. No part of the present outstanding common stock of the St. Louis Southwestern represents stock sold by the company for cash. Nearly two-thirds of the outstanding capital stock of the Pennsylvania Railroad have been sold for cash during the past twenty years or so at considerably above par value, and over two-thirds of the outstanding common stock of the Baltimore and Ohio have been sold at par. The Great Northern, Canadian Pacific, Chicago and North Western, Northern Pacific, Southern Pacific, and many other companies have secured large sums for improvements, etc., by the sale of capital stock.

Finally, it must be said (as has been suggested in what has gone before) that absolute knowledge concerning the value of railroad securities can be gained only by a careful examination of the physical condition of each property, as well as of the traffic relations and advantages and the conditions attaching to the same. In this way knowledge can be gained as to the opportunities presented in each case, both for the better handling of business already secured and for the securing of new business.

CHAPTER X

GUARANTEES AND THEIR RELATION TO NET INCOME AVAILABLE
FOR DIVIDENDS

Consolidations and leases made by railroads in past years emphasize yet another consideration, already referred to, which has an important bearing upon the margin of safety as represented by the net income. On the following page are given the income accounts of six railroads (Roads "A," "B," "C," "D," "E," "F"). These income accounts are shown for three distinct periods representing three different conditions of affairs which will here be explained. Each of the roads has a capital stock of \$200,000, and each earned, as shown in the income account (Schedule I), 10 per cent. on its capital. Road "A," being desirous of extending its sphere of influence or of protecting its existing traffic, arranges for the lease of the other five roads, the rental being in each case 9 per cent. on the capital stock.

The income accounts (Schedule II) show the result of these leases to the parent road "A" in a prosperous year, when gross earnings were as large as are shown in the income accounts first given (Schedule I). When road "A" was operated alone 10 per cent. was earned on its capital stock. Its equity in the surplus earnings of the leased lines in the year following the making of the leases was such as to show 5 per cent. additional earned on its original issue of \$200,000 of stock.

The income accounts (Schedule III) show operating revenues of roads reduced. The charges against revenues remain the same. Road "A" earned, of itself, \$15,000 or $7\frac{1}{2}$ per cent. on its stock, but owing to the guarantee of

SCHEDULE I.		A	B	C	D	E	F
Operating Revenues.	\$100,000		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Charges	80,000		80,000	80,000	80,000	80,000	80,000
Surplus	\$20,000		\$20,000	\$20,000	\$20,000	\$20,000	\$20,000

SCHEDULE II.		A	B	C	D	E	F
Operating Revenues.	\$100,000		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Charges	80,000		80,000	80,000	80,000	80,000	80,000
Net	\$20,000		\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Guarantees	00,000		18,000	18,000	18,000	18,000	18,000
Surplus	\$20,000		\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

SCHEDULE III.		A	B	C	D	E	F
Operating Revenues.	\$95,000		\$95,000	\$95,000	\$95,000	\$95,000	\$95,000
Charges	80,000		80,000	80,000	80,000	80,000	80,000
Net	\$15,000		\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Guarantees	15,000		18,000	18,000	18,000	18,000	18,000
Surplus	\$00,000		Df.\$3,000	Df.\$3,000	Df.\$3,000	Df.\$3,000	Df.\$3,000

dividends on the other five roads, the deficit of each of these roads amounted to \$3,000. Inasmuch as these losses fall upon road "A" and are suffered by that road's capital stock, it appears that as against 15 per cent. earned upon road "A's" stock in the previous year nothing is earned in the year of smaller earnings.

Had road "A" not assumed obligations to the stockholders of the other roads its surplus earnings in the prosperous year would have equalled but 10 per cent. on its stock against 15 per cent. On the other hand, in the year of smaller earnings the road would have earned $7\frac{1}{2}$ per cent. on its stock instead of earning nothing at all.

CHAPTER XI

TABLES

Following there are given tables showing, so far as it is possible, for one hundred and twenty-two railroads in the United States, and nearby countries:

1. The Average Mileage Operated, the Operating Revenues and the Net Income for a series of years.

Wherever an appropriation of an extraordinary nature has been included in deductions by any road, such an appropriation is considered as having been deducted from Net Income. Interest paid on Income Bonds and all Dividends paid on Stock are also considered as having been appropriated from Net Income.

2. The total Capital Stock and Bonds outstanding and the Stock and Bonds "per mile of road operated."

The Capital Stock and Bonds are stated as they are given in the balance sheets of the different companies. It must be stated that many railroads do not include in their balance sheets the bonds and stocks of auxiliary and leased companies on which interest and dividends are guaranteed. The Delaware, Lackawanna & Western R. R., for example, does not show in its balance sheet the bonds and guaranteed stock of the Morris & Essex R. R. Co. and other leased roads, while, on the other hand, the Lehigh Valley R. R. does include among the liabilities outstanding securities of auxiliary and leased companies. In the final analysis, however, so far as the stockholder is concerned, the result as to margin for dividends is not changed by this different method of bookkeeping, for whether or not the balance sheet shows these obligations, the interest and guaranteed dividends must

be paid each year before the stockholder may receive dividends. It is because of this lack of uniformity that the fixed charges cannot be reckoned even approximately from the statement of the company's bonds as shown in the balance sheet. The item of "rentals" in the "fixed charges" is often many times greater than the item "interest on company's bonds." Therefore in the statistical pages which follow, the amounts included in the fixed charges as "rentals paid" are stated immediately after the statement of capitalization.

Under Capital Stock are usually included Income Bonds. In the statements of capitalization there is given under Capital Stock the amount outstanding at the close of the last fiscal year except where otherwise noted.

Under Bonds there is given, in each of the tables, the amounts of bonds outstanding at the close of the last fiscal year. Bonds outstanding include in some cases duly noted bonds held alive in sinking funds or held among treasury assets.

The Bonds and Capital Stock are given "per mile of road operated" as it is believed that general comparisons can be made more readily on that basis than is possible where the capitalization is reduced to a basis "per mile of road owned."

3. The Income Account for the last fiscal year.

Included in Other Income are all dividends on stocks owned, interest on bonds owned, rentals received, credit balance from hire of freight cars and rent of equipment, etc.

Under Fixed Charges are included interest on funded and floating debt, rentals, taxes, net hire and rental of equipment, etc. The amounts paid for rentals and included in Fixed Charges are stated. The detail of taxes is added

in parenthesis with a footnote relating to taxes in earlier years.

4. The Operating Expenses are stated, subdivided as follows: (a) Maintenance of Way; (b) Maintenance of Equipment; (c) Traffic Expenses; (d) Transportation Expenses; (e) Miscellaneous Operations and General Expenses. As in the table showing the earnings and disbursements, these expenses are given reduced to a "per mile" basis. The ratio which the operating expenses bear to the operating revenues for the year given is also stated.

5. The number of units of equipment at the close of the fiscal year. Work or company equipment is not included.

6. The proportion of the *Total Income* (Operating Revenues plus Other Income) represented in (a) Maintenance Expenses, (b) Transportation and Other Operating Expenses, (c) Fixed Charges and (d) Net Income.

7. The "ton miles per mile of road" and the "passenger miles per mile of road." In arriving at these figures an effort has been made to disregard the tons of company's freight carried.

8. The miles of second and additional main tracks and the miles of yards and sidings.

In conclusion it may be said that an earnest effort has been made in the compilation of the following tables to arrange the same so that trustworthy comparisons may be made respecting the earning power of the different roads.

CHAPTER XII

TRANSPORTATION ACT, 1920

The significant provisions of the Transportation Act, 1920, were clearly summarized by Judge Robert S. Lovett, Chairman of the Union Pacific Railroad, in the 1919 Annual Report of that company as follows:

“Federal control of the railroads was finally terminated and the railroads returned to the possession and operation of their owners March 1, 1920. It was generally recognized that remedial legislation, both of a permanent character and to aid the railroads temporarily during the transition period immediately following the termination of Federal control, was essential to most companies. As the result of long consideration by Congress and Congressional Committees legislation was enacted in the so-called ‘Transportation Act, 1920,’ which became a law on February 28, 1920.

“The more important provisions of this Act designed to give temporary aid during the transition period are those continuing the powers of the President and his agents to settle and adjust matters arising out of Federal control; authorizing the funding for a period of ten years at 6 per cent. of the balance of indebtedness of the railroad companies to the Government incurred on account of additions and betterments made during Federal control after the set-off of compensation payable by the Government; authorizing equipment trusts for the funding of indebtedness to the Government for equipment ordered for and assigned to the railroad companies by the Railroad Administration; recognizing and sanctioning subject to future changes by State or Federal authority all rates, fares, and charges in effect at the end of Federal control, but prohibiting the reduction

of such rates prior to September 1, 1920, without approval of the Interstate Commerce Commission; guaranteeing to railroad companies so requesting, for a period of six months, a railway operating income equivalent to the rate of compensation fixed in the Federal control contract of the company, plus interest compensation on additions and betterments made to the properties of the company during the period of Federal control, but with the resulting obligation on the part of the railroad company accepting such guaranty to account to the Government for any railway operating income earned during said six month period in excess of the amount of such guaranty; and authorizing during a limited period new loans to railroad companies from the revolving fund appropriated therefor when necessary to enable the companies properly to meet the transportation needs of the public.

“The more important features of the permanent legislation embodied in the Transportation Act are as follows: The amicable adjustment of labor disputes is sought through the machinery of Boards of Adjustment to be created by the railroads and their employees and a Railroad Labor Board to hear appeals from the Boards of Adjustment, constituted of three labor representatives, three representatives of the railroad managements and three representatives of the public, without, however, any provision for compelling, except by the force of public opinion, obedience to the decisions of these Boards. • The Interstate Commerce Commission is directed to establish such transportation rates that the carriers as a whole throughout the country or the carriers in each of such rate groups as the Commission shall designate will earn a net railway operating income constituting a fair return upon the aggregate value of the railway properties in

each group, giving due consideration to the transportation needs of the country and the necessity of enlarging existing transportation facilities in order to provide the people of the United States with adequate transportation; and for the first two years the fair rate of return is fixed by the Act at $5\frac{1}{2}\%$, with authority to the Commission to add thereto not exceeding $\frac{1}{2}$ of 1% as a provision for improvements chargeable to capital account.*

"In connection with this rate policy, the Act provides in effect that any carrier which realizes for any year a net railway operating income in excess of 6% of the value of its railroad properties, as determined by the Interstate Commerce Commission, shall pay over to the Government half of such excess, and shall place the remaining half of such excess in a reserve fund which shall be available for dividends and interest only in years in which the net railway operating income of such carrier falls below the rate of 6% of the value of its properties and otherwise must be accumulated by the carrier until such reserve fund aggregates an amount equal to 5% of the value of its properties.

"The Interstate Commerce Commission is directed to formulate a plan for the consolidation of the railroads of the country into a limited number of systems, and authority is given the railroad companies, notwithstanding the existing Federal anti-trust laws, to enter into mergers and consolidations subject to the approval of the Commission as in harmony with the general plan of consolidation so formulated by it.

"By a provision which becomes effective one hundred and twenty days after approval of the Act, the Interstate Commerce Commission is given jurisdiction to regulate the issue

*Effective March 1, 1922, 5.75% was designated a fair return upon the aggregate value of railway property.—Editor.

of all railroad securities to the exclusion of State Commissions and without reference to State laws. In other particulars than those outlined above, great authority, in addition to that heretofore existing, and very many new duties are conferred upon the Interstate Commerce Commission by numerous provisions that cannot be briefly summarized.

“The provision above noted, requiring every carrier which earns more than 6% of the value of its properties to pay over to the Government one-half of the excess, is a radical departure in the policy of the National Government with respect to railroad capital, since for the first time it limits the returns which a railroad company may earn and save for its owners out of transportation rates which the Government itself fixes or authorizes. Many eminent lawyers are of opinion that this confiscatory provision is *unconstitutional, and doubtless its validity will be tested when its enforcement is undertaken. One of the evils of it is already apparent when even the strongest railroad companies are faced with the necessity of paying over 7% for money with which to provide equipment and other facilities needed by the public, while limited in their return to 6% and one-half of anything earned above that rate.

“The holders of Union Pacific common stock should understand, however, that even if the validity of the provision should be sustained by the Courts, it does not follow that their dividends would be limited to 6%. The law does not base the 6% limitation upon the stock or bonds or any form of capitalization but upon the ‘*value of the railway property held for and used * * * in the service of transportation,*’ which of course does not include investments in other companies, which, in the case of Union

*The Supreme Court in January, 1924, upheld the constitutionality of this provision (decision in so-called Dayton-Goose Creek case).

Pacific, yield an annual income of about \$12,000,000. Moreover, of the total funded debt outstanding in the hands of the public, amounting to \$355,066,170, all but \$49,203,500 bears interest at the rate of 4% per annum, the average for the whole being 4.24% ; \$99,543,500 of the capitalization is represented by preferred stock limited to dividends at 4%, and there is an aggregate corporate surplus of \$208,959,456, of which \$130,965,901 is unappropriated Profit and Loss credit balance. Of course the stockholders are entitled to, and the statute does not attempt to deprive them of the benefit of the lower interest rate on the bonds and of the 4% dividend rate on the preferred stock, and the income of say \$12,000,000 per annum from investments in securities.

“Obviously much depends upon the value finally placed upon the railroad property by the Interstate Commerce Commission under the Act of 1913, a work in which it has been engaged for several years but which is still far from finished.”

CHAPTER XIII

VALUATION OF RAILROADS

The valuation of all railroad properties in the United States was ordered by the Valuation Act (Section 19a of the Interstate Commerce Act) in 1913. For the purpose, a Bureau of Valuation was created by the Interstate Commerce Commission. This agency has completed an inventory and appraisal of physical properties (road-bed, equipment, structures, lands, etc.) and an examination of companies' accounts. From the data thereby obtained a single-sum valuation is arrived at and such by 1928 had been served on all of the important railroads tentatively, that is, subject to reconsideration upon protest by the roads in question. Valuations covering about a third of total mileage had been made by June 30, 1928, in final form, identified as values for rate-making purposes.

Procedure of the Bureau of Valuation has been to take an actual inventory of physical property as of a specific date (June 30 in years generally 1914 to 1919) and, except in the case of land, to appraise the value measured by unit prices considered normal in 1914 with reference to average prices during five years ending then, and to appraise land as of the valuation date by the value of contiguous land considering prices for five or ten years preceding. From the cost of reproduction of road and equipment an amount of depreciation has then been determined, which is not actual but theoretical as obtained by "straight-line" (estimated service life) accounting.

The single-sum valuations appear to represent principally the cost of reproduction, less depreciation, plus so-called present value of lands and an amount of working

capital. The property covered is only that in carrier service and therefore does not include any investment in other companies or property not used in conducting transportation. The working capital allowed is an amount generally less than 20% of the estimated normal operating expenses of a year. While the Valuation Act required the report of "other values and elements of value, if any," the Interstate Commerce Commission has in some instances stated that none "were found to exist," and in others that none "to which specific sums can now be ascribed" were found. Furthermore, the Valuation Act required the Commission to report an analysis of its methods of valuation and the reasons for discrepancies between figures of cost and value. This has not been done in any way satisfactory to the railroad companies. As regards methods the Commission has held that it is not bound by any formula, that reproduction cost is indicative but not determinative, that earning power is not the determining factor, that original cost is a factor to the extent ascertained; and as regards figures of cost has stated that original cost to date of valuations has not been ascertainable.

The figures in the following table are taken from tentative valuations of some of the more important properties represented in this book. The value of total owned carrier property is shown against investment in road and equipment as carried on companies' books at the same date. Satisfactory comparisons are not possible, chiefly because the valuation figures include deduction for depreciation and addition for working capital while the company accounts represent only gross physical property and do not always include all land. Nevertheless the figures will roughly indicate the relative integrity of balance sheet accounts some years ago as tested by methods the propriety of which is in question.

	<i>Date</i> <i>(June 30)</i>	<i>Owned</i> <i>Mileage</i>	<i>Value</i> <i>Owned Carrier</i> <i>Property</i>	<i>Book Invest-</i> <i>ment Road</i> <i>& Equipment</i>
Atch., Top. & S. F...	1916	8,522	\$427,675,020	\$628,505,678
Gulf, Col. & S. F.....	1916	1,830	66,322,816	55,018,077
Kan. City, Mex. & Orient	1919	259	6,453,528	22,190,936
K. C., Mex. & O. of Tex.	1919	467	6,744,673	6,874,185
Panhandle & S. F.....	1916	179	6,545,000	6,439,359
Atl. & West Point....	1918	91	6,072,307	4,340,456
Atl. Coast Line.....	1917	4,421	153,525,705	182,908,085
Atl., Birm. & Coast....	1914	663	26,548,250	(a) 39,255,787
Baltimore & Ohio.....	1918	4,949	574,042,421	652,757,153
Balt. & O. Chic. Term.	1918	74	31,468,483	40,021,067
Bangor & Aroostook.	1916	638	25,350,000	28,514,792
Boston & Maine.....	1914	2,272	239,261,346	202,872,676
Buffalo & Susque.....	1919	239	9,845,900	10,661,437
Buff., Roch. & Pitts...	1917	471	57,328,036	59,985,095
Caro., Clinch. & O...	1917	258	36,456,000	56,570,416
C., C. & O., S. C.....	1917	18	1,626,155	3,103,337
Central R. R. of N. J.	1918	578	122,647,865	124,491,313
Central Vermont	1917	407	22,602,116	20,540,665
Charles. & W. Caro...	1915	341	10,406,396	8,279,563
Chesapeake & Ohio..	1916	1,879	187,140,675	221,396,181
Ches. & Ohio of Ind. ...	1916	261	9,250,000	12,519,387
Hocking Valley	1917	341	33,330,421	45,307,822
Chicago & Alton.....	1919	1,009	71,912,743	130,885,207
Chic. & East. Ill.....	1915	1,014	66,082,109	78,990,279
Chicago & Erie.....	1918	252	21,232,548	32,598,115
New Jersey & N. Y...	1918	36	1,587,045	3,315,362
N. Y., Susq., & West...	1918	142	14,967,411	37,990,981
Wilkes-Barre & East..	1918	73	3,495,000	6,585,712
Chic. & North West...	1917	8,168	481,826,409	395,125,289
C., St. P., M. & Omaha	1917	1,669	86,710,600	77,877,937
Chic., Burling. & Q...	1917	9,046	496,236,177	461,509,295
Chic. Gt. Western....	1916	1,403	66,734,442	167,704,810
Chic., Ind. & Lou.....	1915	583	29,727,707	39,595,959
Chic., Mil. & Gary...	1915	99	2,889,475	11,269,746
Chic., Mil., St. P. & Pac..	1918	9,911	558,914,672	605,009,299
Chic., T. H. & S. E...	1916	362	20,500,000	24,927,762

	<i>Date</i> <i>(June 30)</i>	<i>Owned</i> <i>Mileage</i>	<i>Value</i> <i>Owned Carrier</i> <i>Property</i>	<i>Book Invest-</i> <i>ment Road</i> <i>& Equipment</i>
Chic., Rock Isl. & Pac.	1915	7,684	\$327,561,284	\$320,098,701
Cin., Ind. & West....	1918	283	11,724,150	14,236,224
Col. & Southern.....	1918	1,048	39,489,000	81,954,155
Ft. Worth & Denv. C.	1918	456	18,860,027	25,830,636
Wichita Valley	1918	256	3,379,350	5,450,559
Copper Range	1916	94	4,600,180	7,089,337
Delaware & Hudson..	1916	788	95,804,412	103,265,011
Del., Lack. & West....	1918	982	230,840,937	199,230,016
Denver & R. G. W....	1919	2,486	98,633,948	184,134,377
Rio Grande Southern..	1919	172	3,172,800	8,820,056
Detroit & Mackinac ...	1917	364	6,593,500	5,651,033
Dul. & Iron Range...	1919	273	28,394,371	29,877,646
Dul., Miss. & Nor....	1919	287	45,202,300	45,659,514
Dul., S. S. & Atl.....	1916	539	17,961,229	48,167,020
Mineral Range.....	1916	87	3,624,177	4,272,257
Elgin, Jo. & East.	1914	227	39,039,815	39,567,355
Erie	1918	1,937	279,388,259	386,335,136
Florida East Coast...	1916	739	48,131,947	48,811,362
Great Northern	1915	7,175	396,290,302	390,578,223
Green Bay & West. ..	1916	299	7,264,183	12,527,293
Gulf, Mobile & Nor...	1917	402	10,660,065	22,319,074
Illinois Central.....	1915	4,580	346,171,353	302,558,454
Yazoo & Miss. Valley..	1915	1,105	39,985,196	62,650,541
Ala. & Vicks.....	1918	142	7,691,997	5,813,814
Gulf & Ship Island....	1916	308	9,034,850	14,170,083
Vicks., Shreve. & Pac..	1918	188	8,276,200	9,300,101
Central of Georgia....	1915	1,966	76,869,691	69,060,724
Indiana Harbor Belt..	1917	45	6,835,432	12,189,378
Kansas City So.	1914	875	49,416,097	101,050,970
Lehigh & H. R.	1918	73	5,090,000	6,359,649
Lehigh & New Eng....	1919	181	11,524,150	15,978,568
Lehigh Valley	1917	1,406	194,642,116	191,631,855
Louisville & Nash....	1917	5,086	327,783,524	287,682,798
Lou., Hen. & St. L....	1918	181	5,940,000	8,085,137
Nash., Chatt. & St. L..	1916	980	62,240,426	39,256,665
Macon, Dublin & Savan.	1918	92	2,210,535	3,704,876

OF RAILROADS

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	Date (June 30)	Owned Mileage	Value Owned Carrier Property	Book Invest- ment Road & Equipment
Maine Central	1916	1,112	\$61,575,192	\$54,983,162
Maryland & Penna....	1918	81	3,575,910	4,592,242
Midland Valley	1919	MI	11,725,000	18,887,493
Minn. & St. L.	1917	1,556	46,944,428	68,418,761
Minn., St. P. & S. S. M..	1916	3,145	104,883,525	116,953,635
Wisc. Central	1917	1,021	50,245,800	71,890,114
Miss. Central	1918	163	4,775,000	8,317,928
Miss.-Kan.-Tex.	1918	1,626	84,959,513	176,955,385
M.-K.-T. of Tex.	1918	1,607	51,382,195	69,049,670
Wich. F. & N. W....	1918	328	5,664,924	7,222,286
Missouri Pacific.....	1918	6,866	250,819,720	368,795,366
New Orl., Tex. & Mex.	1914	173	8,594,161	15,780,645
Beau., S. L. & West...	1919	84	2,202,474	3,150,589
New Iberia & N.....	1918	III	1,546,025	2,689,506
Orange & N W.....	1919	62	842,706	1,228,104
St. L., Browns. & Mex.	1919	502	12,914,800	15,703,366
Int'l-Gt. Northern....	1917	1,105	38,230,989	40,828,287
Tex. & Pac.....	1916	1,858	68,170,227	109,250,903
Mont., Wyo. & So. ...	1917	25	506,840	2,053,032
Nev.-Cal.-Ore.	1917	172	1,940,000	3,601,475
New Orl. Gt. Nor. ...	1916	243	7,201,388	16,045,669
New York Central....	1917	5,503	1,028,799,615	881,120,563
Tol. & Ohio Cent.....	1918	395	26,069,809	29,005,885
Kanawha & Mich.....	1918	168	15,308,456	18,260,427
Cleve., Cin., C. & St. L.	1915	2,223	161,013,655	182,344,437
Cincin. Northern.....	1918	206	7,335,000	4,961,864
Michigan Central.....	1918	1,288	149,900,402	124,499,175
Pitts. & Lake Erie.....	1916	III	88,822,990	62,083,773
N. Y., Chic. & St. L.	1918	509	47,830,546	68,861,002
Lake Erie & West.....	1918	III	28,545,582	45,470,557
Tol., St. L. & West....	1916	450	17,282,977	39,381,687
N. Y. Connecting.....	1918	9	24,500,000	27,762,545
N. Y., N. H. & H....	1915	2,002	385,465,142	285,211,378
Central New Eng....	1916	260	18,812,880	26,729,009
N. Y., Ont. & West..	1916	514	44,500,193	92,695,208
Norfolk & Western..	1916	2,053	237,428,455	263,585,357

THE EARNING POWER

	Date (June 30)	Owned Mileage	Value Owned Carrier Property	Book Invest- ment Road & Equipment
Norfolk Southern.....	1914	902	\$24,669,875	\$30,617,459
Northern Pacific.....	1917	6,362	417,217,965	491,528,661
Northwestern Pac.....	1916	508	35,665,000	65,984,697
Oregon Short Line....	1916	2,129	100,380,775	113,094,103
Ore. Wash. R.R. & N..	1916	2,131	135,460,913	162,497,661
Los Angeles & S. L....	1914	989	45,832,318	76,391,598
Pennsylvania R. R....	1918	3,816	959,994,449	861,914,136
Penna. Company ...	1916	1,627	283,283,513	226,734,976
Penn. Tunnel & Term.	1918	14	120,885,852	108,088,558
Balt., Ches. & Atl....	1915	117	3,217,309	4,325,539
Cumberland Vall. ...	1916	165	15,567,541	10,308,715
Grand Rap. & Ind....	1917	563	22,477,778	23,463,623
Long Island	1916	384	87,409,614	80,370,105
N. Y., Phila. & Nor...	1915	111	10,976,927	10,533,162
Pitts., C., C. & St. L.	1918	1,411	174,566,724	178,233,197
Phila., Balt. & Wash..	1918	417	79,040,000	92,839,710
Vandalia	1916	792	42,546,150	42,633,892
West Jersey & Sea...	1916	340	27,278,925	21,302,871
West. N. Y. & Penna..	1918	586	43,036,236	71,022,449
Pere Marquette	1915	1,868	61,422,576	87,100,297
Pitts. & West Va.....	1917	63	22,852,368	28,402,124
West Side Belt.....	1917	23	5,044,800	7,158,586
Reading Co	1917	1,071	150,404,310	179,816,569
Rich., F'd'ks'b'g & Pot.	1916	111	11,384,700	9,070,564
Washington Southern.	1916	114	7,128,210	8,333,041
Rutland	1917	410	22,206,255	23,000,622
St. Joseph & Gd. Isl...	1919	258	7,679,319	18,992,987
St. Louis-San Fran...	1918	4,732	186,367,830	354,108,995
St. Louis Southwest..	1915	715	29,137,424	70,863,269
St. L. S'west. of Tex...	1915	803	25,981,840	29,505,192
Seaboard A. L.....	1918	3,473	127,709,926	192,553,502
Charlotte Harb. & N'thn	1918	110	2,861,844	3,263,640
Southern Pacific Co...	1916	6,920	484,353,699	752,602,348
Galv., Harris. & S. A..	1918	1,355	49,306,550	75,966,630
Houston & Tex. Cen...	1918	111	31,970,431	41,099,631
Louisiana West.....	1918	208	6,472,500	9,900,984
Morgan's La. & Tex...	1918	403	21,638,400	29,477,865

	<i>Date (June 30)</i>	<i>Owned Mileage</i>	<i>Value Owned Carrier Property</i>	<i>Book Invest- ment Road & Equipment</i>
Texas & New Orleans.	1918	472	\$18,313,730	\$23,155,400
San An. & Aran. Pass.	1919	729	17,396,228	23,932,601
El Paso & S. W. Co...	1917	442	16,602,000	27,699,243
El Paso & S. W. R. R.	1917	470	15,400,000	21,959,605
E. P. & S. W. of Texas	1917	5	3,600,000	3,429,129
El Paso & N. E.....	1917	21	1,385,000	556,942
Southern Ry.....	1916	6,637	350,648,874	452,412,515
Va. Southwestern.....	1916	207	11,447,064	10,819,148
Ala. Gt. Southern.....	1918	321	22,540,099	25,575,185
Cin., N. O. & Tex. Pac.	1918	346	53,479,902	36,395,622
Georgia So. & Fla....	1915	392	9,852,286	12,273,374
Mobile & Ohio.....	1915	937	44,099,815	46,978,830
New Orl. N. E.....	1918	196	14,335,000	18,387,926
Tennessee Central.....	1918	295	9,635,000	21,690,251
Tonopah & Gold.....	1915	97	1,856,150	3,747,657
Trinity & B. V.....	1916	303	9,064,056	11,785,891
Spok., Port. & Seattle.	1916	498	56,913,698	61,266,414
Ulster & Del.	1916	129	6,468,019	5,780,913
Union Pacific	1919	3,607	242,426,352	331,860,798
Virginian	1916	472	55,420,314	91,180,245
Wabash	1919	2,054	109,650,171	208,922,867
Ann Arbor.....	1915	295	11,127,240	17,341,338
Western Maryland....	1919	693	74,140,944	130,101,648
Western Pacific	1914	939	66,075,947	(b) 86,985,845
Western Ry. of Ala...	1918	130	6,079,784	5,927,153
Wheeling & L. E.	1918	525	40,766,935	77,859,611
Wrights. & Tenn.	1915	103	1,595,669	899,097

Notes: (a) At December 31, 1915, after reorganization. (b) At December 31, 1917, after reorganization.

Beyond the qualifications and exceptions, generally and individually, essential in considering the so-called "carrier property" valuations as reported, the need both to determine the extent and value of "non-carrier property" (stocks, bonds, lands, etc.) and to bring the appraisal of all property up to date will be recognized before any comparison with capitalization is attempted.

COMMENT

The following pages are devoted, firstly (pp. 69 to 191 inclusive), to the presentation in Table form of important statistics, showing the range of earnings of the railroads over a series of years, their capitalization, income accounts, etc., as described in Chapter XI, and, secondly (p. 192 and following), to the Notes wherein are given other important facts concerning the capitalization, the dividends, the appropriations for improvements, the securities and lands owned, the character of the rail used, etc.

It is important that reference be made to the Notes in connection with the use of the statistical Tables, for not only do the Notes serve to illustrate and supplement the facts given in the Tables, but also in many instances they contain facts which are essential to the proper understanding of the figures given in the Tables. For example, the bonds and stock outstanding of the Missouri Pacific, New York Central, Southern Ry., and of others, include large amounts issued for the purpose of acquiring securities of other railroads, operated separately; the Notes show the control by Chesapeake & Ohio of considerable Erie stock, by Kansas City Southern of Missouri-Kansas-Texas, etc. By reference, therefore, to the Notes, information is found which, used in connection with the Tables giving the income accounts of these controlled railroads, will show the extent of the equities which the controlling railroads possess in the undivided surplus earnings of the subsidiary railroads.

The fact that large purchases have been made by many of the railroads of the securities of other railroads is alone sufficient to emphasize the importance which the proprietor-

ship of these securities has as a factor in determining the investment value of the stocks and bonds, not only of the controlling railroads, but also of the controlled railroads themselves. *As the facts regarding the ownership of securities as well as other equally important matters are given in the Notes, the Notes should be used concurrently with the statistical Tables.*

Of the contents of this book, the Tables are almost exclusively based on data taken from the original official annual reports of the railroad companies to stockholders or to the Interstate Commerce Commission, and the Notes are taken from these reports and other sources regarded as authentic.

NOTE

In the statistical tables, pp. 69-191, figures for the years 1918, 1919, and 1920, are not presented in the cases of domestic railroads, as operations in 1918 and 1919 were entirely and in 1920 partly under United States Government control, and the statistics are without value for comparative purposes.

Net Income for the years 1921, 1922, 1923, 1924, 1925, and 1926, is that used in editions of "The Earning Power of Railroads" for those years, and in some instances, as result of elimination of items relating to Government control or guaranty, this figure is not the Net Income shown in the official reports. In every such case full explanation may be found in this or a preceding edition of the "Earning Power of Railroads."

BANGOR & AROOSTOOK R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1908-09	515	\$2,818,444	\$143,475	1917	631	\$4,384,561	\$493,174
1909-10	530	2,990,530	351,179	1921	660	7,353,938	879,264
1910-11	618	3,172,112	162,636	1922	623	7,437,216	676,473
1911-12	621	3,345,241	63,557	1923	616	6,769,803	594,911
1912-13	631	3,252,421	†84,307	1924	616	6,924,115	722,750
1913-14	631	3,795,413	205,731	1925	616	6,862,488	723,628
1914-15	631	3,747,974	226,490	1926	615	6,927,603	914,326
1915-16	631	3,775,806	240,609	1927	614	7,401,075	1,139,723

†Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common (par \$50).....\$5,328,000
†Preferred (7%) 3,480,000

*Including \$1,468,000 additional common stock offered for subscription at 120% or \$60 per share to preferred and common stockholders as of August 17, 1927. †Cumulative. ‡Not including \$4,027,000 mortgage bonds and \$2,000 equipment trust obligations in treasury unpledged.

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds.....\$19,822,000
Equipment 444,000

CAPITALIZATION

	Total	Per Mile
Stock	\$8,808,000	\$14,345
Bonds	20,266,000	33,006
Total	29,074,000	47,351

Fixed Charges below include \$1,471 for Net Joint Facility Rents, and \$1,677 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 614.		
Railway Operating Revenues	\$7,401,075	\$12,053
Railway Operating Expenses.....	4,956,597	8,072
Net Revenue from Railway Operations.....	2,444,478	3,981
Other Income (1926, \$412,570).....	300,291	489
Gross Income	2,744,769	4,470
Fixed Charges (including for Taxes, \$596,539)†.....	1,605,046	2,614
Net Income	1,139,723	1,856

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,143,112).....	\$1,254,495	\$2,043
Maintenance of Equipment (1926, \$1,447,214)	1,392,448	2,267
Traffic Expenses	73,994	121
†Transportation Expenses (1926, \$1,863,787).....	1,880,818	3,064
Miscellaneous Operations and General Expenses....	354,842	577

Operating Ratio 67.0% (1926, 69.7%; 1925, 71.6%; 1924, 73.6%; 1923, 75.0%).

†Taxes 1926, \$551,405; 1925, \$569,798; 1924, \$518,587; 1923, \$530,130.

†After deducting \$1,478 Transportation for Investment—Cr.

Other Income above includes \$227,711 (1926, \$332,716; 1925, \$327,196) from Hire of Freight Cars, Cr. Bal., \$12,412 Net Rent from Other Equipment, \$10,994 from Miscellaneous Rents, \$20,287 Income from Unfunded Securities and Accounts, and \$27,006 (1926, \$30,732) from Dividends.

Equipment Dec. 31: Locos., 88; Pass., 82; Freight, 4,156.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.4%	35.3%	36.9%	37.8%	36.8%	39.0%
For Traffic, Transportation and General Expenses	30.0%	30.5%	30.8%	30.9%	33.1%	32.0%
For Fixed Charges	20.8%	21.7%	22.4%	21.6%	22.0%	20.3%
For Net Income	14.8%	12.5%	9.9%	9.7%	8.1%	8.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	463,965	422,203	437,792	432,455
Passenger miles per mile of road....	27,316	30,156	26,060	30,392
Miles, second and addit'l main track.	30	30	30	30
Miles, yards and sidings	227	222	223	226

See Notes, page 192.

BOSTON & MAINE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	2,308	\$41,672,000	16,324,402	1920	2,342	\$50,190,418	192,071,070
1915-16	2,351	52,075,423	4,085,891	1921	2,342	78,097,397	2,062,122
1917	2,309	59,450,779	14,177,284	1922	2,309	81,428,708	4,008,909
1921	2,303	78,280,760	17,348,066	1923	2,197	81,428,376	4,572,404
1922	2,342	79,730,085	120,422	1927	*2,084	77,842,374	2,372,203

*Including 566 miles of branches, 431 miles leased and 53 miles trackage rights, not including 20 miles electric railways or bus operations. †Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	.....	\$20,000,000
*Prior Preference (7%)	.....	8,750,000
†Preferred (6%)	.....	2,100,000
‡1st Preferred	.....	20,817,000

*Subscription to \$4,270,000 additional due in installments, cumulative, redeemable at 110 beginning 1930. †Non-cumulative. ‡Class A, \$12,500,000; B, \$7,000,000. C, \$7,000,000. D, \$4,270,000. E, \$68,000. (Including \$18,800,000 bonds held by the Government, not including \$4,772,000 bonds and \$14,900,000 stocks of leased roads, and \$2,022,000 guaranteed bonds including \$1,222,000 St. Johnsbury & Lake Champlain to due 1944.)

CAPITALIZATION

	Total	Per Mile
Stock	20,000,000	\$43.279
Bonds	120,834,579	62.340
Total	220,834,579	105.619

Fixed Charges below include \$300,000 for Net Joint Facility Rents, \$2,740,000 for Hire of Freight Cars, Dr. Bal., \$1,100,123 for Rent for Leased Roads, and \$111,222 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2084		
Railway Operating Revenues	\$77,842,374	\$37.340
Railway Operating Expenses	61,835,502	30.071
Net Revenue from Railway Operations	16,012,872	7.684
Other Income (1926, \$1,943,326)	1,222,004	570
Gross Income	17,234,876	8.253
Fixed Charges (including for Taxes, \$2,571,000)†	14,452,343	6.940
*Net Income	2,772,533	1.319

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$10,901,001)	\$12,288,228	\$6.870
Maintenance of Equipment (1926, \$16,180,191)	14,820,500	7.144
Traffic Expenses	942,752	450
†Transportation Expenses (1926, \$22,146,902)	29,002,700	14.810
Miscellaneous Operations and General Expenses	2,810,217	1.340

Operating Ratio 70.4% (1926, 74.4% 1925, 77.8%, 1924, 80.7%).

†Taxes 1926, \$3,079,000 1925, \$3,147,418.

*Before deducting \$152,664 for sinking funds and \$2,804,000 for dividends.

†After deducting \$2,503 Transportation for Investment—Cr.

Other Income above in Table \$43,505 Net Rent from Equipment other than Freight Cars \$711,204 from Lease of Road, \$222,211 from Miscellaneous Rents, \$714,350 (1926, \$437,518 Income from Securities, Accounts and Funds, and \$122,920 (1926, \$300,484 1925, \$192,973) from Dividends.

Equipment Dec. 31, 1926, 457,100, 1,851, Freight, 15,000.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	25.3%	21.4%	21.0%	22.2%	25.7%	22.8%
For Other Oper. Exp.	42.3%	42.3%	44.0%	47.3%	52.0%	49.0%
For Fixed Charges	12.2%	17.6%	17.3%	17.0%	17.5%	18.5%
For Net Income	4.2%	7.0%	6.0%	2.0%	Deficit	0.1%

	1927	1926	1925	1924
Ton miles per mile of road	1,270,994	1,200,118	1,306,526	1,224,221
Passenger miles per mile of road	320,100	238,404	227,145	244,800
Miles, second and addit'l main track	628	637	637	604
Miles, yards and sidings	1,200	1,200	1,207	1,200

See Notes, page 193.

CENTRAL VERMONT RY.

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1912-13	536	\$4,577,590	\$9,796	1922	533	\$7,626,626	\$736,814
1913-14	536	4,500,111	259,258	1923	†434	8,627,980	1,081,676
1914-15	536	4,210,411	*15,418	1924	493	8,380,752	897,063
1915-16	536	4,612,358	*175,208	1925	433	8,463,639	822,755
1917	536	4,816,577	154,729	1926	433	9,089,724	268,231
1921	532	7,135,753	1,633,695	1927	408	8,259,571	1,326,017

*Net Income. The deficits are advanced to the company by the Canadian National Rys. (formerly Grand Trunk Ry.) as per guarantee. †From November 1, 1923, 99 miles (Fifth District) leased to Canadian National Rys.

STOCK OUTSTANDING

December 31, 1927

*Common\$3,000,000

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$13,194,165
Equipment 699,000
**Other 20,857,005

*Owned \$2,184,600 by Canadian National Rys. †Including \$12,888,300 Re-funding Mortgage 5% bonds, due 1930, guaranteed principal and interest by Canadian National Rys. Not including \$767,700 in treasury unpledged. **Not including \$5,000,000 Receiver's Certificates issued January, 1928.

CAPITALIZATION

	Total	Per Mile
Stock	\$3,000,000	\$7,353
Bonds	34,750,170	85,172
Total	37,750,170	92,525

Fixed Charges below include \$258,566 for Net Hire of Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 408.		
Railway Operating Revenues.....	\$8,259,571	\$20,244
Railway Operating Expenses.....	7,635,185	18,714
Net Revenue from Railway Operations.....	624,386	1,530
Other Income (1926, \$51,499).....	12,024	29
Gross Income	636,410	1,559
Fixed Charges (including for Taxes, \$232,579)†.....	1,962,427	4,809
Net Deficit	1,326,017	3,250

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,708,049).....	\$2,301,686	\$5,641
Maintenance of Equipment (1926, \$1,357,009).....	1,255,008	3,076
Traffic Expenses	235,866	578
†Transportation Expenses (1926, \$3,855,025).....	3,526,795	8,644
Miscellaneous Operations and General Expenses.....	315,830	775

Operating Ratio 92.4% (1926, 81.7%; 1925, 86.9%; 1924, 87.1%; 1923, 89.0%).

†Taxes 1926, \$222,415; 1925, \$238,037; 1924, \$229,070; 1923, \$248,114.

†After deducting \$10,578 Transportation for Investment—Cr.

Other Income above includes \$9,024 from Miscellaneous Rents, and \$3,000

Interest on Securities.

Equipment Dec. 31: Locos., 89; Pass., 148; Freight, 2,414.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	43.0%	33.5%	36.8%	35.2%	32.6%	27.8%
For Traffic, Transportation and General Expenses	49.3%	47.7%	49.8%	51.1%	56.0%	57.0%
For Fixed Charges.....	23.7%	21.7%	23.3%	24.3%	11.5%	24.8%
For Net Income.....	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	1,116,730	1,214,905	1,059,846	872,822
Passenger miles per mile of road.....	85,198	92,787	86,900	70,119
Miles, second and addit'l main track.	6	16	16	6
Miles, yards and sidings.....	191	174	180	183

See Notes, page 203.

MAINE CENTRAL R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	1,217	\$14,125,577	\$1,125,543	1924	1,208	\$20,178,336	\$389,022
1921	1,215	20,590,064	†2,165,362	1925	1,199	20,070,587	1,177,000
1922	1,215	20,387,172	1,031,158	1926	1,121	20,423,812	1,270,897
1923	1,201	21,192,264	100,385	1927	*1,121	20,217,535	551,025

*Including 455 miles leased and 21 miles trackage rights. †Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common	\$12,007,100
†Preferred (5%)	3,000,000

*Not including \$2,881,500 in treasury unpledged. †Cumulative. ‡Not including \$577,500 in treasury unpledged.

BONDS OUTSTANDING

December 31, 1927

‡Fixed Interest.....	\$23,206,500
Equipment	2,464,000

CAPITALIZATION

	Total	Per Mile
Stock	\$15,007,100	\$13,387
Bonds	25,670,500	22,899
Total	40,677,600	36,286

Fixed Charges below include \$287,027 (1926, \$264,343) for Net Joint Facility Rents, \$78,525 (credits: 1926, \$5,040; 1925, \$86,219) for Hire of Freight Cars, Dr. Bal., \$823,427 (1926, \$814,428) for Rent for Leased Roads, \$10,349 for Miscellaneous Rents, and \$8,087 for Separately Operated Properties—Loss.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,121.		
Railway Operating Revenues	\$20,217,535	\$18,035
Railway Operating Expenses	16,073,451	14,338
Net Revenue from Railway Operations.....	4,144,084	3,697
Other Income (1926, \$311,449).....	346,323	309
Gross Income	4,490,407	4,006
Fixed Charges (including for Taxes, \$1,373,275)†.....	3,939,382	3,514
*Net Income (per Common Share, \$3.34).....	551,025	492

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,013,982).....	\$3,252,533	\$2,902
Maintenance of Equipment (1926, \$3,872,810).....	3,837,605	3,423
Traffic Expenses	187,072	167
‡Transportation Expenses (1926, \$8,158,439).....	8,116,380	7,240
Miscellaneous Operations and General Expenses....	679,861	606

Operating Ratio 79.5% (1926, 77.6%; 1925, 78.1%; 1924, 81.9%; 1923, 84.2%).

†Taxes 1926, \$1,227,041; 1925, \$1,184,180; 1924, \$1,216,287; 1923, \$1,182,489.

*This Net Income before deducting \$150,000 for dividend appropriations.

‡After deducting \$4,797 Transportation for Investment—Cr.

Other Income above includes \$48,618 (1926, \$48,281) Net Rent from Equipment other than Freight Cars, \$42,720 from Lease of Road, \$48,896 from Miscellaneous Rents, \$8,997 from Miscellaneous Non-operating Physical Property, \$71,743 Income from Securities and Accounts, and \$71,867 from Dividends.

Equipment Dec. 31: Locos., 215; Pass., 310; Freight, 7,147; Marine, 2.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.5%	33.3%	33.6%	34.9%	34.8%	31.2%
For Traffic, Transportation and General Expenses	43.6%	43.2%	42.9%	45.3%	48.3%	47.7%
For Fixed Charges	19.2%	17.5%	17.7%	17.9%	16.4%	16.2%
For Net Income	2.7%	6.1%	5.8%	1.9%	0.5%	4.9%

	1927	1926	1925	1924
Ton miles per mile of road.....	793,632	778,756	712,818	716,594
Passenger miles per mile of road....	89,534	96,639	90,461	98,298
Miles, second and addit'l main track.	90	90	90	90
Miles, yards and sidings.....	368	368	381	391

See Notes, page 204.

NEW YORK, NEW HAVEN & HARTFORD R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	2,003	\$65,379,264	\$2,307,971	1923	2,001	\$133,940,586	*\$2,917,106
1915-16	2,005	76,311,653	4,315,757	1924	1,986	127,213,698	2,998,650
1917	1,995	85,784,893	2,404,095	1925	1,935	132,266,422	7,418,252
1921	1,986	116,405,238	*15,326,635	1926	1,917	135,065,836	†8,243,112
1922	2,003	123,246,641	*4,910,936	1927	\$2,175	139,824,315	†10,432,661

*Deficit. †Before deducting payment under guarantees, \$974,528 in 1927 and \$973,684 in 1926; after such payment in prior years. ‡Addition of 263 miles due to Central New England Ry. merger.

STOCK OUTSTANDING

December 31, 1927

Common	\$157,117,900
*Preferred (7%)	47,598,060

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$195,011,600
Equipment	18,986,200
‡Miscellaneous	63,072,452

*Cumulative; including installments; total issue \$49,036,700, balance payable in installments up to April 1, 1929. †Not including \$130,319,750 owned by company or in sinking fund, likewise contingent liabilities such as for principal and interest on \$19,200,000 N. Y., Westchester & Boston Ry. 1st 4½s due 1946. ‡Includes \$125,755,600 debentures which, excepting \$16,758,000 4s due 1957, are secured under First and Refunding Mortgage. §Includes \$22,380,000 6% notes to U. S. Government due 1930-35 and \$19,520,100 secured 6% bonds.

CAPITALIZATION

	Total	Per Mile
Stock	\$204,715,960	\$94.122
Bonds	277,070,252	127.388
Total	481,786,212	221.510

Fixed Charges below include \$4,568,737 for Net Joint Facility Rents, \$3,190,123 (1926, \$2,200,768; 1925, \$1,805,339) for Hire of Freight Cars, Dr. Bal., \$97,515 Net Rent for Other Equipment, and \$2,722,556 for Rent for Leased Roads. Prior to 1926 the Fixed Charges included payments on account of guarantees, \$977,300 in 1925, thereafter charged to Profit and Loss.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,175.		
Railway Operating Revenues	\$139,824,315	\$64.286
Railway Operating Expenses	100,278,252	46.104
Net Revenue from Railway Operations.....	39,546,063	18.182
Other Income (1926, \$6,756,799)	3,604,089	1.657
Gross Income	43,150,152	19.839
Fixed Charges (including for Taxes, \$6,435,364)†.....	32,717,491	15.042
Net Income	10,432,661	4.797

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$17,790,162).....	\$19,050,871	\$8.759
Maintenance of Equipment (1926, \$28,708,196).....	26,694,508	12.273
Traffic Expenses	1,086,293	.499
†Transportation Expenses (1926, \$46,308,315).....	47,369,106	21.778
Miscellaneous Operations and General Expenses....	6,077,474	2.795

Operating Ratio 71.7% (1926, 73.7%; 1925, 73.9%; 1924, 76.6%; 1923, 80.5%).

†Taxes 1926, \$5,881,207; 1925, \$4,890,151; 1924, \$4,807,973; 1923, \$4,934,004.

‡After deducting \$40,649 Transportation for Investment—Cr.

Other Income above includes \$1,390,692 from Miscellaneous Rents, \$153,989 from Lease of Road, \$1,682,469 Income from Securities, and \$353,577 (1926, \$1,210,983; 1925, \$1,703,102; 1924, \$1,262,900) from Dividends.

Equipment Dec. 31: Locos., 1,042; Pass., 2,226; Freight, 27,864.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.8%	32.8%	32.0%	32.5%	34.4%	33.1%
For Other Oper. Exp.....	38.1%	37.4%	38.1%	40.4%	42.0%	44.1%
For Fixed Charges.....	22.9%	24.0%	24.5%	24.8%	25.7%	26.6%
For Net Income.....	7.2%	5.8%	5.4%	2.3%	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road (2.140 mi.)	1,767,273	1,736,591	1,598,306	1,486,039
Pass. miles per mi. of road (1,917 mi)	917,583	1,038,452	1,000,159	996,803
Miles, second and addit'l main track.	1,126	1,055	1,064	1,082
Miles, yards and sidings	1,891	1,733	1,717	1,691

See Notes, page 207.

RUTLAND R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1909	468	\$3,102,482	\$204,005	1917	415	\$4,825,369	\$547,750
1910	468	3,339,834	313,012	1921	415	5,811,555	†26,965
1911	468	3,416,713	299,614	1922	413	5,803,153	153,036
1912	468	3,612,521	290,946	1923	413	6,695,786	463,909
1913	468	3,752,774	270,407	1924	413	6,509,062	407,309
1914	468	3,526,095	204,008	1925	413	6,440,041	371,913
1915	468	3,549,591	495,444	1926	413	6,759,524	565,575
1916	*468	4,035,656	809,887	1927	413	6,197,106	63,344

*Includes 53 miles operated under trackage right for passenger traffic only.

†Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	\$119,800
*Preferred (7%).....	8,962,300

*Cumulative; see Notes for dividend payments. †Not including \$538,000 owned unpledged.

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds	\$9,216,000
Equipment	805,200

CAPITALIZATION

	Total	Per Mile
Stock	\$9,082,100	\$21,990
Bonds	10,021,200	24,264
Total	19,103,300	46,254

Fixed Charges below include \$19,000 for Rent for Leased Roads, \$5,284 for Separately Operated Properties—Loss, \$2,212 for Amortization of Discount on Funded Debt, and \$7,233 for Net Equipment Rents (credits: 1926, \$29,181; 1925, \$51,963).

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 413.		
Railway Operating Revenues	\$6,197,106	\$15,005
*Railway Operating Expenses	5,556,639	13,454
Net Revenue from Railway Operations.....	640,467	1,551
Other Income (1926, \$173,890).....	168,057	407
Gross Income	808,524	1,958
Fixed Charges (including for Taxes, \$260,570)†.....	745,180	1,805
Net Income (per Preferred Share, \$0.71).....	63,344	153

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,260,230).....	\$1,483,601	\$3,592
Maintenance of Equipment (1926, \$1,330,456).....	1,209,275	2,928
Traffic Expenses	129,635	314
†Transportation Expenses (1926, \$2,629,147).....	2,541,791	6,154
Miscellaneous Operations and General Expenses.....	192,337	466

Operating Ratio 89.7% (1926, 81.8%; 1925, 84.6%; 1924, 84.1%; 1923, 84.1%).

†Taxes 1926, \$356,912; 1925, \$310,321; 1924, \$297,307; 1923, \$281,170.

*Including \$405,264 flood expenses.

†After deducting \$1,193 Transportation for Investment—Cr.

Other Income above includes \$62,491 (1926, \$68,231) from Net Joint Facility Rents, \$26,218 from Miscellaneous Rents, \$63,547 Income from Securities, Accounts and Funds and \$15,008 (1926, \$14,885) from Dividends.

Equipment Dec. 31: Locos., 84; Pass., 136; Freight, 2,054.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	42.3%	37.4%	38.2%	37.2%	36.3%	36.9%
For Traffic, Transportation and General Expenses	45.0%	42.4%	44.1%	44.7%	46.1%	48.8%
For Fixed Charges	11.7%	12.1%	12.1%	12.0%	10.8%	12.2%
For Net Income	1.0%	8.1%	5.6%	6.1%	6.8%	2.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	575,492	626,261	627,548	592,677
Passenger miles per mile of road....	84,683	91,782	90,883	101,556
Miles, yards and sidings	133	134	133	133

See Notes, page 218.

BALTIMORE & OHIO R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	4,535	\$91,815,797	\$10,780,881	1923	5,207	\$255,594,435*	\$22,422,036
1915-16	4,539	111,668,680	13,692,447	1924	5,196	224,318,794	16,319,690
1917	4,724	133,613,321	8,095,231	1925	5,196	237,546,940	20,793,508
1921	5,187	198,622,372	6,388,891	1926	5,197	252,361,830	28,494,294
1922	5,212	200,843,169	4,375,373	1927	*5,552	246,078,510	22,632,345

*Including 48 miles owned jointly, 148 miles leased, and 72 miles trackage rights, also Cincinnati, Indianapolis & Western R. R., 347 miles.

*STOCK OUTSTANDING

December 31, 1927

Common	\$215,187,854
Preferred (4%).....	58,863,181

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$469,302,300
Equipment	68,901,600
†Other	15,175,273

*Not including \$371,537 common and \$1,136,819 preferred stock owned unpledged. The preferred stock is non-cumulative. †Not including \$3,018,800 bonds held in treasury, insurance or sinking funds, and \$50,142,300 bonds owned and pledged. ‡Including \$3,608,200 stock and \$2,728,000 bonds of Dayton & Michigan R. R., guaranteed, representing leasehold capitalized, \$1,977,123 real estate mortgages, likewise capitalized, etc., and \$6,762,200 obligations of owned and operated properties.

CAPITALIZATION

	Total	Per Mile
Stock	\$274,051,035	\$49,361
Bonds	453,379,173	81,660
Total	727,430,208	131,021

Fixed Charges below include \$1,019,602 for Net Joint Facility Rents, \$1,738,556 (1926, \$2,084,035; 1925, \$4,368,704) for Net Equipment Rents, \$595,832 for Rent for Leased Roads, \$258,471 for Miscellaneous Rents, and \$238,811 (1926, \$349,748; 1925, \$668,555) for Separately Operated Properties—Loss.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 5,552.		
Railway Operating Revenues.....	\$246,078,510	\$44,322
Railway Operating Expenses.....	186,168,521	33,532
Net Revenue from Railway Operations.....	59,909,989	10,790
Other Income (1926, \$7,094,481).....	8,570,687	1,544
Gross Income	68,480,676	12,334
Fixed Charges (including for Taxes, \$12,286,617)†.....	45,848,331	8,258
Net Income	22,632,345	4,076

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$31,525,661).....	\$30,894,282	\$5,565
Maintenance of Equipment (1926, \$53,440,119).....	51,318,647	9,243
Traffic Expenses	5,599,463	1,009
†Transportation Expenses (1926, \$87,408,446).....	87,190,576	15,704
Miscellaneous Operations and General Expenses.....	11,165,553	2,011

Operating Ratio 75.7% (1926, 73.8%; 1925, 75.4%; 1924, 77.0%; 1923, 78.0%).

†Taxes 1926, \$11,843,416; 1925, \$10,064,868; 1924, \$9,548,086.

†After deducting \$98,880 Transportation for Investment—Cr.

Other Income above includes \$685,182 from Miscellaneous Rents, \$3,351,081 Income from Securities and Accounts, \$973,794 (1926, \$522,207) Separately Operated Properties—Profit, and \$2,813,707 (1926, \$2,475,094) from Dividends.

Equipment Dec. 31: Locos., 2,554 (incl. 15 electric); Pass., 1,704; Freight, 105,940; Marine, 179.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.2%	32.8%	33.5%	32.7%	35.6%	34.7%
For Other Oper. Exp.....	41.0%	39.0%	39.9%	42.4%	40.6%	45.0%
For Fixed Charges.....	18.0%	17.2%	18.1%	17.8%	15.2%	18.2%
For Net Income.....	8.8%	11.0%	8.5%	7.1%	8.6%	2.1%

	1927	1926	1925	1924
Ton miles per mile of road (5,539 mi.)..	3,762,512	4,028,423	3,744,123	3,374,203
Pass. miles per mi. of road (5,215 mi.)	161,933	168,073	165,930	170,517
Miles, second and addit'l main track.	1,687	1,658	1,656	1,650
Miles, yards and sidings.....	3,623	3,458	3,456	3,462

See Notes, page 219.

BUFFALO & SUSQUEHANNA R. R. CORP.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	253	\$1,785,856	\$657,637	1924	254	\$1,914,201	\$318,930
1921	254	2,052,782	197,157	1925	254	1,463,315	79,033
1922	254	1,676,043	729,352	1926	254	1,307,499	124,322
1923	254	2,780,877	852,866	1927	*254	1,530,183	145,483

*Includes 20 miles leased and 15 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

Common	\$3,000,000	†First Mortgage (4%)	\$4,525,900
*Preferred (4%)	4,000,000		

*Cumulative. †Not including \$368,500 in treasury and \$2,064,600 in sinking fund.

BONDS OUTSTANDING

December 31, 1927

CAPITALIZATION

	Total	Per Mile
Stock	\$7,000,000	\$27,559
Bonds	4,525,900	17,818
Total	11,525,900	45,377

Fixed Charges below include \$26,942 for Net Joint Facility Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 254.		
Railway Operating Revenues	\$1,530,183	\$6,024
Railway Operating Expenses	1,553,186	6,114
Net Deficit from Railway Operations.....	23,003	90
Other Income (1926, \$460,099).....	401,096	1,578
Gross Income	378,093	1,488
Fixed Charges (including for Taxes, \$12,256)†.....	232,610	915
*Net Income (per Preferred Share, \$3.64).....	145,483	573

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$326,584).....	\$331,565	\$1,305
Maintenance of Equipment (1926, \$494,875).....	598,748	2,357
Traffic Expenses	21,000	82
Transportation Expenses (1926, \$444,660).....	507,411	1,998
Miscellaneous Operations and General Expenses.....	94,462	372

Operating Ratio 101.5% (1926, 106.0%; 1925, 103.2%; 1924, 101.4%; 1923, 95.3%).

†Taxes 1926, \$26,130; 1925, \$36,446; 1924, \$43,747; 1923, \$147,990.

*This Net Income before deducting \$80,680 for sinking fund.

Other Income above includes \$223,523 (1926, \$181,346; 1925, \$221,474; 1924, \$363,162) from Hire of Freight Cars, Cr. Bal., \$1,122 from Miscellaneous Rents, \$165,721 Income from Securities and Accounts, and \$10,578 (1926, \$110,348; 1925, \$2,878; 1924, \$85,105; 1923, \$308,909; 1922, \$524,840) from Dividends.

Equipment Dec. 31: Locos., 51; Pass., 12; Freight, 3,088.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	48.2%	46.5%	48.7%	47.2%	42.1%	34.0%
For Traffic, Transportation and General Expenses	32.3%	32.0%	32.4%	29.1%	26.4%	27.2%
For Fixed Charges	12.0%	14.5%	14.6%	11.1%	10.3%	12.2%
For Net Income	7.5%	7.0%	4.3%	12.6%	21.2%	26.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	495,397	352,923	379,810	593,847
Pass. miles per mi. of road (245 mi.)	2,388	3,686	4,924	6,393
Miles, yards and sidings.....	84	85	85	88

See Notes, page 228.

BUFFALO, ROCHESTER & PITTSBURGH RY.*(Majority of Stock Acquired by Van Sweringen in 1928)*

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	573	\$9,134,402	\$1,709,277	1921	590	\$14,362,407	†\$1,021,919
1911-12	570	9,542,368	1,770,895	1922	590	16,746,506	†1,252,253
1912-13	576	10,947,246	2,126,994	1923	592	22,024,651	1,081,499
1913-14	581	10,709,535	1,854,784	1924	592	15,951,853	621,883
1914-15	586	9,479,936	912,720	1925	596	16,560,781	661,596
1915-16	586	11,971,019	1,964,137	1926	602	18,423,273	1,328,295
1917	586	14,975,000	1,739,820	1927	*602	17,522,081	1,277

*Including 119 miles branches, 102 miles leased, and 130 miles trackage rights; in 1925, 12 miles of line were acquired by purchase. †Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	\$10,500,000
*Preferred (6%)	6,000,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$33,891,000
Equipment	4,225,800
Other	7,335

*Non-cumulative; entitled to equal share in dividends after 6% on common stock. †Not including \$2,650,000 bonds of leased lines guaranteed principal and interest and \$4,100,000 stocks guaranteed as to dividends (interest and dividends paid as part of rental).

CAPITALIZATION

	Total	Per Mile
Stock	\$16,500,000	\$27,409
Bonds	38,124,135	63,329
Total	54,624,135	90,738

Fixed Charges below include \$139,965 for Net Joint Facility Rents, \$378,500 for Rent for Leased Roads, and \$16,793 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 602.		
Railway Operating Revenues	\$17,522,081	\$29,106
Railway Operating Expenses	15,485,430	25,723
Net Revenue from Railway Operations.....	2,036,651	3,383
Other Income (1926, \$612,802).....	583,264	969
Gross Income	2,619,915	4,352
Fixed Charges (including for Taxes, \$336,000)†.....	2,618,638	4,350
Net Income	1,277	2

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,257,887).....	\$2,276,992	\$3,782
Maintenance of Equipment (1926, \$5,253,615).....	5,649,877	9,335
Traffic Expenses	356,957	593
†Transportation Expenses (1926, \$6,427,780).....	6,637,816	11,026
Miscellaneous Operations and General Expenses.....	563,788	937

Operating Ratio 88.4% (1926, 80.6%; 1925, 82.7%; 1924, 84.3%; 1923, 91.6%).

†Taxes 1926, \$600,000; 1925, \$487,000; 1924, \$407,000; 1923, \$401,023.

†After deducting \$24,457 Transportation for Investment—Cr.

Other Income above includes \$329,554 (1926, \$424,644; 1925, \$397,848) from Hire of Freight Cars, Cr. Bal., \$31,022 Net Rent from Other Equipment, \$29,021 from Miscellaneous Rents, \$126,186 Income from Securities, Loans, and Accounts, and \$64,570 from Dividends.

Equipment Dec. 31: Locos., 284; Pass., 101; Freight, 18,172.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	43.8%	39.5%	38.7%	38.2%	46.0%	50.4%
For Traffic, Transportation and General Expenses	41.7%	38.5%	41.3%	42.1%	38.5%	42.2%
For Fixed Charges	14.5%	15.0%	16.1%	15.9%	11.0%	14.5%
For Net Income	0.0%	7.0%	3.9%	3.8%	4.5%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	3,012,499	3,097,083	2,659,457	2,498,836
Passenger miles per mile of road....	60,555	68,255	78,751	87,669
Miles, second and addit'l main track.	212	212	212	212
Miles, yards and sidings	460	465	468	466

See Notes, page 230.

CENTRAL R. R. OF NEW JERSEY

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	676	\$28,405,757	\$7,832,888	1922	695	\$49,488,471	\$2,614
1913-14	678	27,372,315	5,723,934	1923	693	57,383,653	625,412
1914-15	681	28,742,256	5,312,178	1924	692	55,466,963	\$2,720,323
1915-16	684	33,462,929	*5,972,578	1925	691	55,092,100	3,596,118
1917	684	37,096,739	6,776,078	1926	691	60,171,118	**3,703,515
1921	689	52,418,714	†1,565,075	1927	\$691	58,745,712	5,472,604

*Not including \$1,103,654 dividend on L. & W. B. Coal Co. stock taken into income account in 1917. †Not including \$18,676,680 special dividends on L. & W. B. Coal Co. stock. ‡Not including \$3,467,517 net credit to Operating Expenses account expenditures in years since 1919 properly chargeable to Investment in Equipment. **Including \$2,412,929 unusual charges to Operating Expenses but not including \$665,245 received in final settlement of Government accounts. §Including 213 miles controlled and operated by ownership of capital stock or by agreements and 90 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common\$27,436,800

†BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$48,903,000

Equipment 11,939,000

*Owned \$14,534,000 by Reading Co. †Not including \$1,167,000 General Mortgage 5s, \$8,000 American Dock & Improvement 6s, and \$1,000,000 equipment trust obligations, all held unpledged in the treasury.

CAPITALIZATION

	Total	Per Mile
Stock	\$27,436,800	\$39,706
Bonds	60,842,000	88,049
Total	88,278,800	127,755

Fixed Charges below include \$847,095 (1926, \$446,162) for Net Joint Facility Rents, \$918,445 (1926, \$821,128) for Net Hire of Equipment, \$2,376,835 for Rent for Leased Roads, including \$2,269,128 for Lehigh & Susquehanna R. R., and \$308,931 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 691.	Total	Per Mile
Railway Operating Revenues	\$58,745,712	\$85,015
Railway Operating Expenses	43,344,247	62,727
Net Revenue from Railway Operations.....	15,401,465	22,288
Other Income (1926, \$1,674,372).....	1,684,808	2,438
Gross Income	17,086,273	24,726
Fixed Charges (including for Taxes, \$3,738,302)†.....	11,613,669	16,807
Net Income (per Common Share, \$19.95).....	5,472,604	7,919

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$6,777,562).....	\$5,460,520	\$7,902
Maintenance of Equipment (1926, \$14,408,216).....	12,863,862	18,616
Traffic Expenses.....	579,723	839
†Transportation Expenses (1926, \$22,497,798).....	22,724,466	32,887
Miscellaneous Operations and General Expenses.....	1,715,676	2,483

Operating Ratio 73.8% (1926, 76.4%; 1925, 75.1%; 1924, 77.7%; 1923, 84.6%).

†Taxes 1926, \$4,780,862; 1925, \$4,540,580; 1924, \$4,513,237; 1923, \$3,791,767.

†After deducting \$1,063 Transportation for Investment—Cr.

Other Income above includes \$447,353 from Miscellaneous Rents, \$138,978 from Miscellaneous Non-operating Physical Property, \$797,162 Income from Securities and Accounts, and \$278,843 from Dividends.

Equipment Dec. 31: Locos., 565; Pass., 975; Freight, 25,750; Marine, 172.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.3%	34.2%	32.3%	33.6%	38.2%	35.6%
For Other Oper. Exp.....	41.4%	40.1%	40.4%	41.4%	43.3%	45.5%
For Fixed Charges	19.3%	19.7%	21.0%	20.3%	17.5%	18.9%
For Net Income	9.0%	6.0%	6.3%	4.7%	1.0%	0.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	4,081,751	4,205,687	3,637,159	3,665,838
Passenger miles per mile of road....	684,208	700,136	694,315	687,905
Miles, second and addit'l main track.	384	375	371	371
Miles, yards and sidings.....	883	876	876	867

See Notes, page 232.

DELAWARE & HUDSON CO.

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1911	878	\$21,421,817	\$5,237,681	1921	909	\$45,776,859	\$4,937,452
1912	878	22,480,103	5,506,089	1922	908	37,823,256	*476,000
1913	904	24,153,495	6,174,736	1923	909	47,320,452	4,711,699
1914	904	22,595,028	4,607,862	1924	909	45,012,988	5,817,376
1915	909	23,787,519	6,071,441	1925	897	41,769,491	4,907,708
1916	909	26,634,426	4,158,372	1926	897	46,433,690	7,877,445
1917	909	29,989,399	4,992,780	1927	897	42,753,528	3,037,304

†In years prior to 1927, after appropriations to Coal Department Sinking Fund (\$425,832 in 1926); see Notes. All owned coal properties were sold to a subsidiary, Hudson Coal Co., in 1927. *Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common\$51,573,900

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$58,344,650
 Equipment 2,123,200
 Note due 1930 (6%)..... 1,500,000

*Including \$8,481,200 issued at 150 in 1927 in conversion of \$12,721,800 5% bonds. †Not including \$14,586,000 bonds guaranteed principal and interest (including \$10,000,000 Albany & Susquehanna 3½s), \$2,000,000 bonds guaranteed as to interest, and \$14,912,600 guaranteed stocks.

Loans and Bills Payable, December 31, 1927, \$5,000,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$51,573,900	\$57,496
Bonds	61,967,850	69,083
Total	113,541,750	126,579

Fixed Charges below include \$322,040 for Net Joint Facility Rents, \$1,915,545 for Rent for Leased Roads, and \$584,995 (1926, \$1,488,196; 1925, \$1,182,940) for Miscellaneous Taxes.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 897.		
Railway Operating Revenues	\$42,753,528	\$47,663
Railway Operating Expenses	34,656,101	38,636
Net Revenue from Railway Operations.....	8,097,426	9,027
Other Income (1926, \$6,038,064).....	2,998,147	3,342
Gross Income	11,095,572	12,369
Fixed Charges (including for Taxes, \$1,471,158)†.....	8,058,268	8,983
Net Income	3,037,304	3,386

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$5,373,037).....	\$5,713,638	\$6,370
Maintenance of Equipment (1926, \$11,506,764).....	11,284,973	12,581
Traffic Expenses	639,572	713
†Transportation Expenses (1926, \$15,397,318)	15,004,960	16,723
Miscellaneous Operations and General Expenses.....	2,012,958	2,244

Operating Ratio 81.1% (1926, 75.8%; 1925, 81.5%; 1924, 81.6%; 1923, 88.2%).

†Taxes 1926, \$1,688,168; 1925, \$1,136,746; 1924, \$1,487,180; 1923, \$1,119,358.

†After deducting \$19,782 Transportation for Investment—Cr.

Other Income above includes \$130,136 (1926, \$87,018; 1925, \$194,512) from Hire of Freight Cars, Cr. Bal., \$156,105 Net Rent from Other Equipment, \$112,912 from Lease of Road, \$87,902 from Miscellaneous Rents, \$878,759 Miscellaneous Income, \$1,258,440 (1926, \$1,335,308; 1925, \$1,279,236; 1924, \$1,436,603) from Dividends, and \$621,784 Income from Securities and Accounts.

Equipment Dec. 31: Locos., 460; Pass., 875; Freight, 16,001.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	37.2%	32.2%	33.4%	34.0%	34.3%	40.1%
For Other Oper. Exp.....	38.6%	34.4%	38.3%	37.3%	42.6%	45.3%
For Fixed Charges	17.6%	18.4%	18.0%	17.4%	13.9%	15.7%
For Net Income	6.6%	15.0%	10.3%	11.3%	9.2%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	3,943,960	4,208,601	3,780,393	3,848,564
Pass. miles per mi. of road (833 mi.)	130,722	136,439	136,724	137,656
Miles, second and addit'l main track	444	444	444	444
Miles, yards and sidings ...	675	674	673	677

See Notes, page 235.

DELAWARE, LACKAWANNA & WESTERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1915	981	\$44,786,731	\$12,579,196	1923	953	\$88,236,974	\$12,881,137
1916	980	51,580,899	17,902,116	1924	983	86,727,184	14,668,868
1917	955	57,211,224	17,155,809	1925	983	83,635,056	14,430,195
1921	954	85,977,815	18,263,958	1926	987	88,804,745	17,913,201
1922	954	74,622,344	6,509,401	1927	990	84,685,831	15,707,772

STOCK OUTSTANDING

December 31, 1927

*Common (par \$50).....\$84,441,100
 Per Mile Operated..... 85,294

*Not including \$2,885,900 in treasury.

†Non-negotiable debt to affiliated companies.

Fixed Charges below include \$6,962,286 (1926, \$6,998,306) for Rent for Leased Roads.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$97,600
 †Other 33,146

†Not including \$222,400 in treasury.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 990.	Total	Per Mile
Railway Operating Revenues.....	\$84,685,831	\$85,542
Railway Operating Expenses.....	60,183,061	60,791
Net Revenue from Railway Operations.....	24,502,770	24,751
Other Income (1926, \$6,229,361).....	5,659,617	5,716
Gross Income	30,162,387	30,467
Fixed Charges (including for Taxes, \$7,457,093)†.....	14,454,615	14,601
*Net Income (per Common Share, \$9.30).....	15,707,772	15,866

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$8,581,206).....	\$8,110,090	\$8,192
Maintenance of Equipment (1926, \$16,342,981).....	14,636,512	14,784
Traffic Expenses	1,628,998	1,646
†Transportation Expenses (1926, \$33,072,735).....	32,995,762	33,329
Miscellaneous Operations and General Expenses.....	2,811,699	2,840

Operating Ratio 71.1% (1926, 70.2%; 1925, 74.6%; 1924, 74.4%; 1923, 78.7%).

†Taxes 1926, \$7,671,404; 1925, \$6,882,658; 1924, \$6,900,102; 1923, \$5,995,698.

*This Net Income before deducting \$11,821,754 for dividends declared.

†After deducting \$69,265 Transportation for Investment—Cr.

Other Income above includes \$230,990 from Net Hire of Equipment, \$133,674 from Net Joint Facility Rents, \$313,241 from Miscellaneous Rents, \$4,225,661 (1926, \$4,666,691) Income from Securities and Accounts, and \$624,848 (1926, \$524,882; 1925, \$1,508,662) from Dividends.

Equipment Dec. 31: Locos., 728; Pass., 911; Freight, 27,999; Floating, 250.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	25.2%	26.2%	28.4%	28.6%	30.6%	32.9%
For Traffic, Transportation and General Expenses	41.4%	39.4%	40.8%	41.1%	42.9%	46.0%
For Fixed Charges.....	15.9%	15.5%	14.9%	14.4%	12.9%	13.0%
For Net Income.....	17.5%	18.9%	15.9%	15.9%	13.6%	8.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	4,696,300	5,030,895	4,667,538	4,892,890
Passenger miles per mile of road...	668,436	675,438	682,609	672,329
Miles, second and addit'l main track.	694	694	684	670
Miles, yards and sidings.....	1,047	1,047	1,045	1,025

See Notes, page 241.

ERIE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	2,257	\$50,486.185	\$5,135.973	1922	2,335	\$126,574.153	\$1,534,938
1913-14	2,257	57,564.574	1,422.973	1923	2,125	122,973.455	10,542,650
1915	2,257	65,437.730	5,221.941	1924	2,125	119,094.356	9,001,620
1916	2,257	74,311.252	4,027.964	1925	2,123	115,542.455	6,729,307
1917	2,259	79,774.353	1,547.966	1926	2,117	125,473.504	10,113,398
1921	2,335	112,532.056	2,054.425	1927	2,117	122,473.355	12,512,650

*Deficit. †Including 252 miles leased and 141 miles trackage rights. ‡After approximately \$2,100,000 charges relating to prior years.

STOCK OUTSTANDING

December 31, 1927

*Common	\$151,116.700
†Preferred 1st (4%)	47,904.470
†Preferred 2nd (4%)	15,000.000

*Including \$25,634.000 issued in 1927 in conversion of \$19,317,400 General Mortgage Series D 4% bonds. †Non-cumulative. ‡Not including \$25,677,300 bonds of leased lines (\$1,335,991 interest in 1927 included in \$2,392,695 Rent for Leased Roads), \$21,744.000 Erie-Pennsylvania Coal Co. 4% bonds in sinking fund, and \$35,475,900 other bonds owned, \$9,902,000 pledged.

Loans and Bills Payable, December 31, 1927, \$200,000.

BONDS OUTSTANDING

December 31, 1927

‡Fixed Interest	\$211,941,100
Equipment	34,223,800
Miscellaneous	1,452,141

CAPITALIZATION

	Total	Per Mile
Stock	\$215,021,100	\$92,801
Bonds	37,617,041	102,554
Total	452,638,141	195,355

Fixed Charges below include \$119,551 for Net Joint Facility Rents, \$4,615,818 (1926, \$3,670,353; 1925, \$3,549,745; 1924, \$1,923,060) for Hire of Freight Cars, Dr. Bal., and \$2,392,695 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,317.		
Railway Operating Revenues (\$27,023,667 Coal).....	\$122,473,355	\$52,861
Railway Operating Expenses.....	100,264,697	43,274
Net Revenue from Railway Operations.....	22,213,658	9,587
Other Income (1927, \$7,254,855).....	5,837,477	2,519
Gross Income	28,051,135	12,106
Fixed Charges (including for Taxes, \$4,821,270)†.....	24,538,485	10,590
*Net Income	3,512,650	1,516

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$14,202,444).....	\$16,104,896	\$6,951
Maintenance of Equipment (1926, \$30,212,436).....	28,647,903	12,364
Traffic Expenses	2,161,553	933
†Transportation Expenses (1926, \$48,126,959).....	48,576,644	20,965
Miscellaneous Operations and General Expenses.....	4,773,701	2,061

Operating Ratio 81.9% (1926, 79.0%; 1925, 78.7%; 1924, 80.4%; 1923, 81.8%).

†Taxes 1926, \$4,868,271; 1925, \$4,750,791; 1924, \$4,521,873; 1923, \$4,200,008.

*Before deducting \$1,378,887 for sinking and other reserve funds.

†After deducting \$160,622 Transportation for Investment—Cr.

Other Income above includes \$336,589 Net Rent from Equipment other than Freight Cars, \$491,511 from Miscellaneous Rents, \$126,871 from Separately Operated Properties—Profit, \$601,522 (1926, \$310,170) Income from Securities and Accounts, and \$4,200,702 (1926, \$5,913,995; 1925, \$3,177,537; 1924, \$7,002,587; 1923, \$6,027,537; 1922, \$11,095,150; 1921, \$9,191,700) from Dividends.

Equipment Dec. 31: Locos., 1,106; Pass., 1,230; Freight, 43,684; Marine, 253.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.8%	33.5%	33.3%	34.0%	35.9%	38.0%
For Other Oper. Exp.....	43.3%	41.2%	42.3%	41.3%	41.1%	45.7%
For Fixed Charges.....	19.1%	17.7%	18.9%	17.1%	15.5%	17.9%
For Net Income.....	2.8%	7.6%	5.5%	7.6%	7.5%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	4,384,332	4,486,196	4,072,329	4,244,176
Passenger miles per mile of road	274,689	280,760	289,333	286,455
Miles, second and addit'l main track.	1,436	1,436	1,436	1,436
Miles, yards and sidings	2,070	2,061	2,077	2,077

See Notes, page 248.

FONDA, JOHNSTOWN & GLOVERSVILLE R. R.

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1914-15	88	\$874,762	\$13,263	1923	89	\$1,471,219	\$169,470
1915-16	88	954,011	53,864	1924	89	1,279,865	55,288
1917	88	1,064,318	52,615	1925	89	1,245,843	42,954
1921	89	1,355,659	101,122	1926	89	1,217,034	31,411
1922	89	1,409,648	189,014	1927	†89	1,150,928	1,861

*In 1917 and following years, including both steam and electric divisions; passenger revenue on electric division was \$608,649 in 1927 (\$642,142 in 1926; \$689,449 in 1925; \$722,405 in 1924; \$778,124 in 1923). †Including 11 miles leased and 4 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

Common\$2,500,000
 *Preferred (6%) 500,000

*Cumulative. †\$5,700,000 First Cons. Gen. Ref. 4½s due 1952; \$800,000 Gen. Ref. 4s due 1950; \$500,000 First Cons. Ref. 4½s due 1947.

Loans and Bills Payable, December 31, 1927, \$248,000.

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$7,000,000

CAPITALIZATION

	Total	Per Mile
Stock	\$3,000,000	\$33,707
Bonds	7,000,000	78.651
Total	10,000,000	112,358

Fixed Charges below include \$13,330 for Joint Facility Rents, \$26,279 for Hire of Equipment, \$4,080 for Miscellaneous Rents, \$8,400 for Rentals of Leased Lines, and \$5,914 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 89.		
Railway Operating Revenues	\$1,150,928	\$12,931
Railway Operating Expenses	782,804	8,795
Net Revenue from Railway Operations	368,124	4,136
Other Income (1926, \$88,775).....	96,152	1,080
Gross Income	464,276	5,216
Fixed Charges (including for Taxes, \$77,012)†.....	462,915	5,201
*Net Income (per Preferred Share, \$0.27).....	1,861	15

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$182,074).....	\$159,151	\$1,733
Maintenance of Equipment (1926, \$136,165).....	127,815	1,436
Traffic Expenses	7,344	82
†Transportation Expenses (1926, \$416,206).....	418,549	4,703
Miscellaneous Operations and General Expenses.....	69,945	786

Operating Ratio 68.0% (1926, 67.0%; 1925, 65.9%; 1924, 65.3%; 1923, 61.1%).

†Taxes 1926, \$73,627; 1925, \$86,200; 1924, \$92,235; 1923, \$94,713.

*This Net Income before deducting \$30,000 for preferred dividends.

†Including \$66,740 for Power.

Other Income above includes \$9,146 (1926, \$16,654; 1925, \$20,414; 1924, \$18,792; 1923, \$21,439; 1922, \$18,440) from Operation of Summer Resort at Sacandaga, N. Y.

Equipment Dec. 31: Loco., 10; Pass., 73; Freight, 10.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	23.1%	24.4%	23.6%	22.9%	20.8%	20.0%
For Traffic, Transportation and General Expenses	39.7%	38.1%	38.1%	38.5%	37.0%	36.2%
For Fixed Charges	37.1%	35.1%	35.1%	34.5%	31.3%	31.0%
For Net Income	0.1%	2.4%	3.2%	4.1%	10.9%	12.8%

	1927	1926	1925	1924
Miles, second and addit'l main track.	23	23	23	23
Miles, yards and sidings	15	15	16	15

See Notes, page 256.

LEHIGH & HUDSON RIVER RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	97	\$1,465,795	\$244,264	1921	97	\$3,242,291	\$336,956
1911-12	97	1,621,891	236,771	1922	97	2,412,760	138,641
1912-13	97	1,849,435	272,175	1923	97	3,117,709	624,942
1913-14	97	1,774,792	132,693	1924	97	3,146,656	487,175
1914-15	97	1,816,585	261,299	1925	97	3,053,596	418,406
1915-16	97	2,109,857	483,299	1926	97	3,567,884	731,135
1917	97	2,247,617	352,773	1927	*97	3,362,338	615,852

*Includes 22 miles trackage.

STOCK OUTSTANDING

December 31, 1927

*Common\$4,707,000
Per Mile Operated..... 48,526

*See Notes regarding ownership. In 1920, \$2,987,000 funded debt matured and was retired with proceeds from sale of an equal amount of stock at par. Fixed Charges below include \$151,395 for Joint Facility Rents, and \$144,506 for Hire of Freight Cars, Dr. Bal.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 97.	Total	Per Mile
Railway Operating Revenues.....	\$3,362,338	\$34,663
Railway Operating Expenses.....	2,298,799	23,699
Net Revenue from Railway Operations.....	1,063,539	10,964
Other Income (1926, \$59,932).....	49,261	508
Gross Income.....	1,112,800	11,472
Fixed Charges (including for Taxes, \$199,699)†.....	496,948	5,123
*Net Income	615,852	6,349

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$422,463).....	\$444,430	\$4,582
Maintenance of Equipment (1926, \$465,028).....	521,201	5,373
Traffic Expenses	26,665	275
†Transportation Expenses (1926, \$1,281,864).....	1,186,512	12,232
Miscellaneous Operations and General Expenses.....	119,941	1,237

Operating Ratio 68.4% (1926, 65.7%; 1925, 73.3%; 1924, 71.2%; 1923, 70.3%).

†Taxes 1926, \$203,787; 1925, \$155,504; 1924, \$165,917; 1923, \$155,608.

*This Net Income before deducting \$564,840 (1926, \$564,840) for dividends.

†After deducting \$85 Transportation for Investment—Cr.

Other Income above includes \$6,898 Net Rent from Equipment other than Freight Cars, \$1,214 from Miscellaneous Rents, and \$39,632 Income from Securities and Accounts.

Equipment Dec. 31: Locos., 40; Pass., 11; Freight, 405.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	28.3%	24.6%	29.4%	29.3%	27.8%	30.6%
For Traffic, Transportation and General Expenses	39.1%	40.3%	42.9%	41.0%	40.3%	43.6%
For Fixed Charges.....	14.6%	14.8%	14.2%	14.4%	12.5%	15.2%
For Net Income.....	18.0%	20.3%	13.5%	15.3%	19.4%	5.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	4,413,085	4,676,658	3,863,592	3,942,464
Passenger miles per mile of road.....	7,453	8,209	10,362	11,760
Miles, yards and sidings.....	61	60	60	59

See Notes, page 257.

LEHIGH & NEW ENGLAND R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	269	\$1,793,785	\$358,184	1922	297	\$4,597,073	\$384,193
1913-14	294	2,255,800	547,112	1923	280	5,843,136	975,895
1914-15	296	2,646,662	692,947	1924	219	5,413,878	859,980
1915-16	296	3,278,968	939,741	1925	219	5,295,382	683,647
1917	297	3,666,567	896,623	1926	219	5,662,328	1,364,044
1921	298	4,775,737	702,405	1927	*217	5,798,454	1,081,183

*Including 89 miles branches, 5 miles leased lines, and 85 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common (par \$50).....\$6,800,000

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds (5%)\$7,000,000

Equipment 1,085,000

*Owned all by Lehigh Coal & Navigation Co.

CAPITALIZATION

	Total	Per Mile
Stock	\$6,800,000	\$31,336
Bonds	8,085,000	37,258
Total	14,885,000	68,594

Fixed Charges below include \$114,009 (1926, \$105,260) for Net Joint Facility Rents and \$3,597 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 217.		
Railway Operating Revenues	\$5,798,454	\$26,721
Railway Operating Expenses	4,037,225	18,605
Net Revenue from Railway Operations	1,761,229	8,116
Other Income (1926, \$174,368)	70,674	326
Gross Income	1,831,903	8,442
Fixed Charges (including for Taxes, \$249,416)†.....	750,720	3,460
*Net Income (per Common Share, \$7.95).....	1,081,183	4,982

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$593,650).....	\$641,674	\$2,957
Maintenance of Equipment (1926, \$1,153,708).....	1,230,010	5,668
Traffic Expenses	65,589	303
†Transportation Expenses (1926, \$1,711,177)	1,901,787	8,764
Miscellaneous Operations and General Expenses.....	198,165	913

Operating Ratio 69.6% (1926, 65.3%; 1925, 76.9%; 1924, 76.5%; 1923, 76.5%).

†Taxes 1926, \$294,804; 1925, \$169,597; 1924, \$204,842; 1923, \$224,979.

*This Net Income before deducting \$8,781 for sinking and other reserve funds.

†After deducting \$25,718 Transportation for Investment—Cr.

Other Income above includes \$13,579 (1926, \$136,674; 1925, \$98,929) from Hire of Freight Cars, Cr. Bal., \$13,978 Net Rent from Other Equipment, \$6,988 from Miscellaneous Rents, and \$22,328 (1926, \$10,652) Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 69; Pass., 12; Freight, 3,774.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.9%	29.9%	37.8%	38.1%	38.2%	36.2%
For Traffic, Transportation and General Expenses	36.9%	33.4%	37.0%	35.1%	35.2%	40.8%
For Fixed Charges	12.8%	13.3%	12.7%	11.6%	10.6%	14.9%
For Net Income	18.4%	23.4%	12.5%	15.2%	16.0%	8.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,625,537	1,542,367	1,586,568	1,461,270
Miles, second and addit'l main track.	5	5	5	5
Miles, yards and sidings	149	143	144	142

See Notes, page 258.

LEHIGH VALLEY R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	1,451	\$43,043,372	\$8,761,828	1922	1,449	\$62,418,889	†\$1,991,247
1913-14	1,440	39,783,564	7,056,660	1923	1,374	75,935,153	8,586,613
1914-15	1,444	42,525,962	6,332,445	1924	1,375	76,374,805	7,352,038
1915-16	1,444	47,382,569	7,666,440	1925	1,370	74,430,573	8,046,564
1917	1,443	53,358,446	7,151,859	1926	1,364	80,453,150	10,021,113
1921	1,449	74,929,913	9,788,066	1927	*1,364	74,502,819	4,266,007

*Including 45 miles trackage. Decrease in mileage from 1922 due to reclassification of certain mileage as industrial track. †Deficit.

STOCK OUTSTANDING

December 31, 1927

Common (par \$50)\$60,501,700
Preferred (10%) 106,300

BONDS OUTSTANDING

December 31, 1927

*Mortgage Bonds\$125,989,000

*Including \$48,739,000 bonds of subsidiaries, guaranteed, on which interest (\$2,289,200 in 1927) is paid as part of rent for leased roads. Not including \$40,686,000 bonds of L. V. R. R. owned, unpledged, and \$20,830,000 bonds of affiliated operated companies, \$9,173,000 unpledged, all owned.

CAPITALIZATION

	Total	Per Mile
Stock	\$60,608,000	\$44,434
Bonds	125,989,000	92,367
Total	186,597,000	136,801

Fixed Charges below include \$11,805 for Net Joint Facility Rents, \$1,901,697 (1926, \$1,588,811) for Net Equipment Rents, \$2,352,459 for Rent for Leased Roads, and \$847,047 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 1,364.	Total	Per Mile
Railway Operating Revenues (\$21,122,388 Coal).....	\$74,502,819	\$54,621
Railway Operating Expenses	59,270,392	43,453
Net Revenue from Railway Operations	15,232,427	11,168
Other Income (1926, \$3,266,699)	1,635,798	1,199
Gross Income	16,868,225	12,367
Fixed Charges (including for Taxes, \$3,473,512)†.....	12,602,218	9,239
Net Income (per Common Share, \$3.52).....	4,266,007	3,128

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$9,176,529)	\$8,310,466	\$6,092
Maintenance of Equipment (1926, \$17,190,980)	16,880,947	12,376
Traffic Expenses	1,632,774	1,197
†Transportation Expenses (1926, \$30,921,466)	30,254,814	22,181
Miscellaneous Operations and General Expenses....	2,191,391	1,607

Operating Ratio 79.6% (1926, 75.8%; 1925, 77.2%; 1924, 79.8%; 1923, 87.9%).

†Taxes 1926, \$4,193,976; 1925, \$3,604,182; 1924, \$3,201,422; 1923, \$2,323,808.

†After deducting \$22,098 Transportation for Investment—Cr.

Other Income above includes \$216,415 from Miscellaneous Non-operating Physical Property, \$253,491 from Separately Operated Properties—Profit, \$665,061 Income from Securities and Accounts, and \$423,929 (1926, \$1,740,211; 1925, \$1,251,159) from Dividends including \$97,603 (1926, \$1,517,365; 1925, \$984,474) from Coxe Bros. & Co. Dividend income including from L. V. Coal Co., segregated in 1924, was \$2,238,328 in 1924, \$8,681,062 in 1923, \$3,081,922 in 1922, and \$10,299,432 in 1921.

Equipment Dec. 31: Locos., 900; Pass., 680; Freight, 30,668; Floating, 261.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.1%	31.5%	31.7%	33.9%	36.9%	39.7%
For Traffic, Transportation and General Expenses	44.8%	41.3%	42.7%	42.5%	41.1%	47.7%
For Fixed Charges	16.5%	15.2%	15.2%	14.3%	12.0%	15.5%
For Net Income	5.6%	12.0%	10.4%	9.3%	10.0%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road	3,858,858	4,236,517	3,953,970	4,168,396
Passenger miles per mile of road	190,798	199,391	199,344	184,462
Miles, second and addit'l main track.	770	770	762	756
Miles, yards and sidings	1,449	1,444	1,407	1,397

See Notes, page 259.

LONG ISLAND R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	398	\$12,204,738	*\$977,985	1922	397	\$30,951,540	\$2,165,458
1914	399	13,220,834	*494,131	1923	397	34,085,421	†1,394,895
1915	397	13,553,780	*161,150	1924	397	35,077,885	1,976,584
1916	397	14,971,839	241,736	1925	397	36,869,292	3,840,126
1917	398	17,286,179	869,691	1926	401	39,648,538	3,144,171
1921	398	28,720,910	599,619	1927	†404	40,886,581	3,273,272

*Deficit. †Includes 4 miles trackage into Pennsylvania Station, New York City. ‡Not including \$261,664 credits resulting from Government settlement.

STOCK OUTSTANDING

December 31, 1927

*Common (par \$50)\$34,110,250

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$48,861,100

Equipment 11,479,986

‡Other 12,024,348

*Owned \$34,084,900 by Pennsylvania R. R. including \$21,297,900 exchanged in 1917 for like amount of debenture bonds. †Including \$4,528,000 bonds of properties acquired. ‡Including \$11,266,448 due Pennsylvania R. R. for advances.

CAPITALIZATION

	Total	Per Mile
Stock	\$34,110,250	\$84,431
Bonds	72,365,434	179,122
Total	106,475,684	263,553

Fixed Charges below include \$1,271,077 for Net Joint Facility Rents, \$822,541 (1926, \$1,356,309) for Hire of Equipment, Dr. Bal., \$60,001 (1926, \$60,001) for Rent for Leased Roads and \$226,195 (1926, \$217,104) for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 404.		
Railway Operating Revenues	\$40,886,581	\$101,204
Railway Operating Expenses	30,111,966	74,534
Net Revenue from Railway Operations	10,774,615	26,670
Other Income (1926, \$790,783)	773,232	1,914
Gross Income	11,547,847	28,584
Fixed Charges (including for Taxes, \$2,472,139)†.....	8,274,575	20,482
*Net Income (per Common Share, \$4.80).....	3,273,272	8,102

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$5,045,573)	\$5,510,801	\$13,641
Maintenance of Equipment (1926, \$6,360,022)	6,271,392	15,523
Traffic Expenses	407,722	1,009
†Transportation Expenses (1926, \$16,147,616)	16,804,690	41,595
Miscellaneous Operations and General Expenses....	1,117,361	2,766

Operating Ratio 73.6% (1926, 73.2%; 1925, 73.2%; 1924, 76.1%; 1923, 75.5%).

†Taxes 1926, \$2,151,527; 1925, \$2,185,104; 1924, \$1,569,734; 1923, \$1,788,318.

*This Net Income before deducting \$752 for sinking and other reserve funds.

†After deducting \$3,103 Transportation for Investment—Cr.

Other Income above includes \$430,097 from Miscellaneous Rents, \$292,691 (1926, \$297,940) Income from Securities and Accounts and \$42,000 (1926, \$21,000) from Dividends.

Equipment Dec. 31: Locom., 170; Pass., 1,419, including 739 motor-equipped; Freight, 1,973; Marine, 15.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	28.3%	28.2%	31.0%	28.4%	28.3%	26.8%
For Traffic, Transportation and General Expenses	44.0%	43.5%	40.9%	46.3%	44.9%	46.7%
For Fixed Charges	19.9%	20.5%	17.8%	19.7%	22.1%	19.6%
For Net Income	7.8%	7.8%	10.3%	5.6%	4.7%	6.9%

	1927	1926	1925	1924
Ton miles per mile of road (396 mi.)	446,336	461,693	415,210	408,692
Pass. miles per mile of road (359 mi.)	4,842,472	4,554,317	4,403,406	4,030,677
Miles, second and addit'l main track.	251	248	232	232
Miles, yards and sidings	346	338	328	319

See Notes, page 264.

MARYLAND & PENNSYLVANIA R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	80	\$531,087	\$14,650	1922	81	\$818,334	\$107,776
1914	80	524,081	14,433	1923	81	921,140	155,975
1915	80	480,084	13,749	1924	81	900,165	90,495
1916	80	489,894	50,149	1925	81	965,497	100,399
1917	80	534,599	47,519	1926	81	960,027	109,881
1921	81	801,769	42,616	1927	81	947,124	116,406

STOCK OUTSTANDING

December 31, 1927

Common	\$2,028,000
*Income Bonds (4%)	49,000

*In 1924 \$807,000 (in 1925 \$80,000, in 1926 \$12,000, and in 1927 \$2,000 additional) of these bonds were exchanged on the basis of \$1,000 Income bonds for \$500 Consol. Mtge. 6% bonds and \$500 stock, the Income bonds having carried at December 31, 1923, 40% accrued interest.

BONDS OUTSTANDING

December 31, 1927

Fixed Interest	\$1,524,950
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CAPITALIZATION

	Total	Per Mile
Stock and Income Bonds	\$2,077,000	\$25,642
Bonds	1,524,950	18,826
Total	3,601,950	44,468

Fixed Charges below include \$54,060 (1926, \$56,063; 1925, \$56,588; 1924, \$47,048; 1923, \$52,029; 1922, \$32,891) for Net Hire of Equipment, and \$11,220 for Rentals, including \$10,000 for Maryland & Pennsylvania Terminal Co. of which the \$200,000 First 5s are guaranteed principal and interest.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 81.		
Railway Operating Revenues	\$947,124	\$11,693
Railway Operating Expenses	644,771	7,960
Net Revenue from Railway Operations	302,353	3,733
Other Income (1926, \$11,220)	12,730	157
Gross Income	315,083	3,890
Fixed Charges (including for Taxes, \$53,734)†.....	198,677	2,453
*Net Income	116,406	1,437

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$170,382)	\$178,566	\$2,204
Maintenance of Equipment (1926, \$134,607)	111,087	1,371
Traffic Expenses	12,678	157
†Transportation Expenses (1926, \$305,758)	294,997	3,642
Miscellaneous Operations and General Expenses	47,443	586

Operating Ratio 68.0% (1926, 69.4%; 1925, 71.0%; 1924, 70.4%; 1923, 65.1%).

†Taxes 1926, \$51,065; 1925, \$46,841; 1924, \$48,054; 1923, \$47,976.

*This Net Income before deducting \$65,157 for additions to property.

†After deducting \$2,172 Transportation for Investment—Cr.

Other Income above includes \$9,011 from Miscellaneous Rents and \$3,707 from Interest.

Equipment Dec. 31: Locos., 14; Pass., 23; Freight, 131.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.2%	31.4%	32.8%	30.1%	25.2%	25.8%
For Traffic, Transportation and General Expenses	37.0%	37.2%	37.4%	39.6%	39.2%	42.6%
For Fixed Charges	20.7%	20.1%	19.5%	20.3%	18.8%	18.5%
For Net Income	12.1%	11.3%	10.3%	10.0%	16.8%	13.1%

	1927	1926	1925	1924
Miles, yards and sidings.....	18	18	18	17

See Notes, page 268.

NEW YORK CENTRAL R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	3,753	\$116,904,304	\$13,243,553	1922	5,710	\$316,620,098	\$20,635,186
1914	3,774	112,741,051	8,688,672	1923	5,700	365,175,188	45,339,427
1915	*5,640	167,912,333	27,711,474	1924	†6,920	369,606,930	39,250,400
1916	5,689	201,585,049	45,659,217	1925	6,931	385,994,504	48,627,224
1917	5,685	216,267,517	25,599,220	1926	6,928	399,537,749	55,664,041
1921	5,704	292,130,995	†16,682,503	1927	\$6,906	383,377,311	58,565,145

*The "Lake Shore" and other lines were acquired as of January 1, 1915, and present company was formed. †Excluding adjustments of accounts with Government. ‡Includes Boston & Albany and Ohio Central Lines, formerly operated separately; on same basis in 1923 Operating Revenues were \$421,034,784. §Mileage in 1927 included 2,633 miles leased and 554 trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common\$421,285,435
Per Mile Operated..... 61,003

BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$615,548,200
Equipment 69,080,939

*Includes \$38,027,200 subscribed at 100 as of November 1, 1927. In addition \$42,158,300 was offered for subscription as of August 29, 1928.

Fixed Charges below include \$5,587,346 (1926, \$4,152,230; 1925, \$4,455,820) for Hire of Freight Cars, Dr. Bal., \$244,034 Net Rent for Other Equipment, \$893,639 for Miscellaneous Rents, \$501,156 for Amortization of Discount on Funded Debt, \$14,360,838 (1926, \$14,340,188; 1925, \$14,079,485) for Rent for Leased Roads, including \$3,097,130 for Boston & Albany R. R., \$2,804,834 for Ohio Central Lines, and \$1,487,983 for Hudson River Connecting R. R.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 6,906.		
Railway Operating Revenues	\$383,377,311	\$55,513
Railway Operating Expenses	293,399,836	42,484
Net Revenue from Railway Operations	89,977,475	13,029
Other Income (1926, \$32,392,968)	45,631,353	6,607
Gross Income	135,608,828	19,636
Fixed Charges (including for Taxes, \$25,193,780)†.....	77,043,683	11,156
*Net Income	58,565,145	8,480

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$53,904,856)	\$54,277,071	\$7,859
Maintenance of Equipment (1926, \$84,187,014)	79,614,280	11,528
Traffic Expenses	5,150,923	745
†Transportation Expenses (1926, \$135,564,276)	134,349,846	19,454
Miscellaneous Operations and General Expenses	20,007,716	2,898

Operating Ratio 76.5% (1926, 74.8%; 1925, 75.2%; 1924, 75.7%; 1923, 77.4%).

†Taxes 1926, \$26,881,808; 1925, \$25,343,923; 1924, \$23,289,540.

*This Net Income before deducting \$159,054 for sinking and other reserve funds.

†After deducting \$265,601 Transportation for Investment—Cr.

Other Income above includes \$2,977,629 for Net Joint Facility Rents, \$118,545 from Lease of Road, \$3,913,013 from Miscellaneous Rents, \$218,306 from Miscellaneous Non-operating Physical Property, \$1,046,007 Separately Operated Properties—Profit, \$5,782,437 (1926, \$5,565,790; 1925, \$5,352,875) Income from Securities and Accounts, and \$31,260,565 (1926, \$18,224,255; 1925, \$15,318,325; 1924, \$14,388,778) from Dividends.

Equipment Dec. 31: Locos., 3,624; Pass., 3,587; Freight, 141,563; Marine, 333.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.3%	32.0%	32.3%	31.9%	34.2%	34.8%
For Traffic, Transportation and General Expenses	37.2%	37.2%	37.8%	38.8%	36.5%	39.1%
For Fixed Charges	17.9%	17.9%	18.2%	19.5%	17.8%	20.0%
For Net Income	13.6%	12.9%	11.7%	9.8%	11.5%	6.1%

	1927	1926	1925	1924
Ton miles per mile of road (6,860 ml.)	3,250,743	3,434,286	3,263,666	3,079,526
Pass. miles per mile of road (6,112 ml.)	535,580	535,077	517,802	504,854
Miles, second and addit'l main track.	4,200	4,148	4,126	4,132
Miles, yards and sidings	6,026	6,038	6,042	6,100

See Notes, page 269.

NEW YORK, ONTARIO & WESTERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	568	\$9,295,702	\$1,142,936	1921	569	\$14,127,867	\$626,460
1911-12	568	8,527,944	473,729	1922	569	12,341,912	748,099
1912-13	568	9,454,349	1,211,633	1923	569	13,937,366	122,785
1913-14	568	9,040,012	663,692	1924	569	13,686,132	627,500
1914-15	568	8,926,946	612,507	1925	569	12,247,511	41,067
1915-16	568	8,942,252	983,878	1926	569	13,974,119	775,128
1917	568	9,164,878	977,467	1927	*569	13,157,620	5,631

*Includes 56 miles trackage rights.

†Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	\$58,113,983
Preferred (6%)	4,000

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds (4%)	\$28,630,000
Equipment	30,000
Other	185,000

Loans and Bills Payable, December 31, 1927, \$543,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$58,117,983	\$102,140
Bonds	28,845,000	50,694
Total	86,962,983	152,834

Fixed Charges below include \$92,903 (1926, \$109,605) for Net Joint Facility Rents, \$567,905 (1926, \$509,304; 1925, \$327,575) for Net Equipment Rents, \$220,844 for Rent for Leased Roads, and \$8,699 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 569.		
Railway Operating Revenues	\$13,157,620	\$23,124
Railway Operating Expenses	10,972,046	19,283
Net Revenue from Railway Operations	2,185,574	3,841
Other Income (1926, \$379,045)	353,595	621
Gross Income	2,539,169	4,462
Fixed Charges (including for Taxes, \$455,856)†.....	2,533,538	4,452
Net Income	5,631	10

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,908,831)	\$1,971,657	\$3,465
Maintenance of Equipment (1926, \$2,726,660)	2,610,149	4,588
Traffic Expenses	222,001	390
†Transportation Expenses (1926, \$5,698,219)	5,689,849	9,999
Miscellaneous Operations and General Expenses	478,390	841

Operating Ratio 83.4% (1926, 78.5%; 1925, 84.3%; 1924, 80.6%; 1923, 87.2%).

†Taxes 1926, \$570,416; 1925, \$431,181; 1924, \$477,249; 1923, \$408,696.

†After deducting \$6,120 Transportation for Investment—Cr.

Other Income above includes \$18,321 from Miscellaneous Rents, \$312,500 (1926, \$329,767; 1925, \$312,500; 1924, \$312,500) Income from Funded Securities, and \$16,622 from Unfunded Securities and Accounts.

Equipment Dec. 31: Locom., 179; Pass., 364; Freight, 5,320; Floating, 10.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.9%	32.3%	33.4%	31.8%	35.7%	33.5%
For Traffic, Transportation and General Expenses	47.3%	44.2%	48.5%	46.9%	48.4%	53.2%
For Fixed Charges	18.8%	18.1%	17.8%	16.9%	15.0%	19.2%
For Net Income.....	0.0%	5.4%	0.3%	4.4%	0.9%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road	1,257,429	1,420,815	1,208,163	1,392,102
Passenger miles per mile of road....	141,727	142,875	146,050	149,099
Miles, second and addit'l main track.	207	207	207	207
Miles, yards and sidings	292	290	288	286

See Notes, page 284.

NEW YORK, SUSQUEHANNA & WESTERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	236	\$3,668,714	\$534,537	1921	221	\$4,513,812	†\$736,132
1911-12	239	3,503,948	172,895	1922	223	4,495,482	†1,005,699
1912-13	239	3,590,070	208,096	1923	223	5,482,000	†547,132
1913-14	225	3,738,889	230,383	1924	223	5,150,248	†770,027
1915	225	4,101,036	429,766	1925	223	5,179,121	†457,412
1916	221	3,974,431	216,935	1926	222	5,395,850	†208,365
1917	221	4,151,145	24,222	1927	*222	5,199,137	†629,335

*Including 6 miles trackage rights. †Deficit.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$12,816,319
†Preferred (5%)	12,964,344

BONDS OUTSTANDING

December 31, 1927

Fixed Interest	\$15,096,268
Equipment	171,000
†Other	213,675

*Owned practically all by Erie R. R. †Non-cumulative. ‡\$100,000 6% note to Government and \$113,675 non-interest bearing note, due in 1932, to Lehigh & New England R. R. account bridge building.

Deficit to Profit and Loss, December 31, 1927, was \$3,326,972; Current Assets were \$1,227,026 and Current Liabilities were \$6,027,911.

CAPITALIZATION

	Total	Per Mile
Stock	\$25,781,163	\$116,132
Bonds	15,480,943	69,733
Total	41,262,106	185,865

Fixed Charges below include \$250,684 (1926, \$181,628) Net Rent for Equipment other than Freight Cars, \$58,188 (credit balance, 1926, \$11,610; debit balances, 1925, \$134,551, 1924, \$66,210) from Hire of Freight Cars, Dr. Bal., and \$24,128 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 222.		
Railway Operating Revenues	\$5,199,137	\$23,419
Railway Operating Expenses	4,511,091	20,320
Net Revenue from Railway Operations	688,046	3,099
Other Income (1926, \$130,762)	145,317	654
Gross Income	833,363	3,753
Fixed Charges (including for Taxes, \$345,712)†.....	1,462,698	6,588
Net Deficit	629,335	2,835

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$755,306).....	\$790,695	\$3,562
Maintenance of Equipment (1926, \$396,075).....	850,411	3,831
Traffic Expenses	63,658	286
†Transportation Expenses (1926, \$2,533,425).....	2,651,095	11,942
Miscellaneous Operations and General Expenses	155,232	699

Operating Ratio 86.8% (1926, 81.5%; 1925, 83.7%; 1924, 91.4%; 1923, 90.3%).

†Taxes 1926, \$382,049; 1925, \$350,629; 1924, \$325,385; 1923, \$319,060.

†After deducting \$423 Transportation for Investment—Cr.

Other Income above includes \$70,188 (1926, \$56,458) from Net Joint Facility Rents, \$41,258 from Miscellaneous Rents, and \$31,576 Income from Securities and Accounts.

Equipment Dec. 31: Locom., 6 (1926, 47; 1925, 63); Pass., 19 (1926, 87); Freight, 2,291.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.7%	29.9%	28.7%	36.3%	32.2%	33.0%
For Traffic, Transportation and General Expenses	53.6%	49.7%	53.1%	52.8%	55.3%	61.7%
For Fixed Charges	27.3%	24.1%	26.9%	25.1%	22.2%	26.5%
For Net Income	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Miles, second and addit'l main track.	25	25	25	25
Miles, yards and sidings	135	145	145	145

See Notes, page 285.

PENNSYLVANIA R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	4,044	\$185,400,825	\$41,920,833	1922	10,534	\$646,352,108	\$32,382,058
1914	4,512	187,251,851	34,090,765	1923	10,510	721,397,408	†44,857,081
1915	4,541	196,628,170	42,425,322	1924	10,508	645,299,176	38,134,677
1916	4,536	230,278,533	52,276,504	1925	10,515	672,136,962	62,220,324
1917	4,541	255,093,495	39,281,585	1926	10,527	709,817,450	67,567,959
1921	7,339	500,175,084	†13,106,404	1927	*10,514	664,851,023	68,160,298

*Including 515 miles trackage rights; not including 67 miles canals and ferries. †Not including \$11,201,264 Miscellaneous Income, mostly guaranty period claims. ‡Not including \$6,681,047 credits from Government settlement.

STOCK OUTSTANDING

December 31, 1927

*Common (par \$50).....\$499,265,700
Per Mile Operated..... 47,486

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$497,007,720
Equipment 80,030,946
Gtd. Ctfs. (N.Y.P.&N.).. 7,478,250
Miscellaneous 5,409,983

*\$62,500,000 was offered to stockholders at 50 as of May 31, 1928, and \$17,500,000 was authorized in April, 1928, for offer at 50 to employees. †Including \$50,000,000 7s due 1930 and \$60,000,000 6½s due 1936; not including bonds and guaranteed stocks of leased lines, interest and dividends on which are paid as part of rental; for entire system, 11,689 miles, including Long Island R. R., West Jersey & Seashore R. R., etc., \$960,352,811 funded debt and \$594,479,208 stocks on December 31, 1927 were held by the public.

Fixed Charges below include \$1,422,508 for Net Joint Facility Rents, \$12,928,190 (1926, \$14,921,271; 1925, \$12,728,961; 1924, \$18,034,348) for Net Equipment Rents, \$47,029,935 (1926, \$45,927,919; 1925, \$44,385,949; 1924, \$38,291,126) for Rent for Leased Roads, and \$1,223,430 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 10,514.	Total	Per Mile
Railway Operating Revenues.....	\$664,851,023	\$63,234
Railway Operating Expenses.....	510,668,662	48,570
Net Revenue from Railway Operations.....	154,182,361	14,664
Other Income (1926, \$39,890,036).....	43,236,996	4,112
Gross Income	197,419,357	18,777
Fixed Charges (including for Taxes, \$35,709,749)†.....	129,259,061	12,294
*Net Income (per Common Share, \$6.83).....	68,160,298	6,483

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$92,362,198).....	\$87,929,524	\$8,366
Maintenance of Equipment (1926, \$161,880,739).....	140,878,861	13,399
Traffic Expenses	9,578,003	913
Transportation Expenses (1926, \$259,361,576).....	244,550,520	23,255
Miscellaneous Operations and General Expenses.....	27,731,754	2,638

Operating Ratio 76.9% (1926, 77.5%; 1925, 78.4%; 1924, 80.1%; 1923, 81.9%);

†Taxes 1926, \$37,110,193; 1925, \$31,700,789; 1924, \$30,457,970.

*This Net Income before deducting \$4,085,865 for sinking and other funds.

Other Income above includes \$2,339,276 from Miscellaneous Rents, \$14,044,720 (1926, \$10,260,632; 1925, \$9,751,057) Income from Securities and Accounts, and \$28,613,366 (1926, \$24,038,838; 1925, \$21,804,028; 1924, \$20,456,857) from Dividends.

Equipment Dec. 31: Locos., 4,658; Pass., 4,916; Freight, 178,508; Floating, 321.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.3%	33.9%	34.8%	34.4%	36.3%	36.4%
For Other Oper. Exp.....	39.8%	39.5%	39.5%	42.1%	41.9%	42.7%
For Fixed Charges.....	18.3%	17.6%	16.9%	17.8%	14.9%	16.1%
For Net Income.....	9.6%	9.0%	8.8%	5.7%	6.9%	4.8%

	1927	1926	1925	1924
Ton miles per mile of road	*4,179,661	*4,509,519	*4,135,639	*3,812,316
Passenger miles per mile of road	*469,589	*499,456	*487,771	*486,814
Miles, second and addit'l main track.	5,560	5,583	5,514	5,500
Miles, yards and sidings	9,982	9,850	9,723	9,645

*"Regional System"—in 1927, 10,852 miles freight and 9,884 passenger service.

See Notes, page 286.

PITTSBURGH & LAKE ERIE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1911	215	\$15,308,561	\$6,098,561	1921	228	\$23,226,059	\$2,199,066
1912	223	18,162,118	7,323,092	1922	231	29,570,983	4,332,011
1913	224	19,597,919	6,833,737	1923	234	44,666,690	13,170,106
1914	224	15,597,365	4,083,419	1924	231	31,421,149	6,165,155
1915	225	18,196,068	7,568,779	1925	231	32,026,689	7,369,603
1916	225	24,043,164	10,121,348	1926	231	34,205,976	7,838,642
1917	225	25,621,654	5,961,699	1927	*231	31,785,820	6,611,809

*Includes 124 miles leased lines and 31 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common (par \$50)\$43,182,720

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$4,000,000
Equipment3,276,850
Other61,740

*Owned \$21,591,720 by N. Y. Central R. R. Includes 20% stock dividend distributed December 17, 1927. †Due and paid off January 1, 1928.

CAPITALIZATION

	Total	Per Mile
Stock	\$43,182,720	\$186,938
Bonds	7,338,590	31,768
Total	50,521,310	218,706

Fixed Charges below include \$75,462 for Net Joint Facility Rents, \$739,225 (1926, \$766,227; 1925, \$794,816) for Rent for Leased Roads, \$19,015 for Amortization of Discount on Funded Debt, and \$1,045,975 (1926, \$1,231,473; 1925, \$1,146,736; 1924, \$1,309,061; 1923, \$2,018,318) Income Transferred to Other Companies, being half of net profit from operation under lease of Pittsburgh, McKeesport & Youghiogheny R.R. paid to N. Y. Central R.R.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 231.		
Railway Operating Revenues	\$31,785,820	\$137,600
Railway Operating Expenses	26,820,312	113,940
Net Revenue from Railway Operations	5,465,508	23,660
Other Income (1926, \$6,234,669)	5,779,475	25,019
Gross Income	11,244,983	48,679
Fixed Charges (including for Taxes, \$2,004,955)†	4,633,174	20,057
*Net Income (per Common Share, \$7.65)	6,611,809	28,622

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$4,793,837).....	\$4,576,893	\$19,813
Maintenance of Equipment (1926, \$10,667,714)	9,936,360	43,014
Traffic Expenses	311,957	1,351
†Transportation Expenses (1926, \$10,731,617)	10,431,088	45,156
Miscellaneous Operations and General Expenses ...	1,064,014	4,606

Operating Ratio 82.8% (1926, 80.5%; 1925, 79.5%; 1924, 81.4%; 1923, 68.7%).

†Taxes 1926, \$2,152,571; 1925, \$2,178,545; 1924, \$1,908,506; 1923, \$2,753,881.

*This Net Income before deducting \$8,958,255 (1926, \$7,197,120) for dividends.

†After deducting \$11,632 Transportation for Investment—Cr.

Other Income above includes \$4,620,608 (1926, \$4,812,384; 1925, \$4,588,330; 1924, \$4,292,149) from Net Equipment Rents, \$43,895 from Miscellaneous Rents, \$666,215 (1926, \$966,950) Income from Securities and Accounts, and \$448,867 (1926, \$418,737; 1925, \$271,907; 1924, \$149,707) from Dividends.

Equipment Dec. 31: Locos., 297; Pass., 174; Freight, 35,836.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses ..	38.6%	38.2%	37.3%	38.9%	34.2%	44.2%
For Traffic, Transportation and General Expenses	31.5%	29.9%	30.0%	30.6%	26.7%	33.5%
For Fixed Charges.....	12.3%	12.5%	13.3%	13.7%	13.0%	8.9%
For Net Income	17.6%	19.4%	19.4%	16.8%	26.1%	18.4%

	1927	1926	1925	1924
Ton miles per mile of road	10,721,144	10,874,518	9,733,079	9,482,711
Passenger miles per mile of road....	693,259	727,842	726,020	732,127
Miles, second and addit'l main track.	279	281	278	278
Miles, yards and sidings	725	713	710	690

See Notes, page 303.

READING CO.

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1914-15	1,120	\$46,714,822	\$11,022,236	1923	1,149	\$105,807,431	\$22,386,171
1915-16	1,127	57,298,393	19,259,365	1924	1,148	92,088,258	15,121,316
1917	1,127	66,831,398	18,850,776	1925	1,139	91,496,379	17,159,619
1921	1,127	84,924,228	14,672,915	1926	1,138	99,290,136	18,531,122
1922	1,127	81,934,751	10,092,487	1927	1,139	92,590,436	13,496,660

*Prior to 1923 Operating Revenues given are for Railway and Net Income is for Railway, Reading Co., and Coal Co. combined. †Not including \$3,000,000 special dividend in each year from Reading Iron Co. account segregation.

STOCK OUTSTANDING

December 31, 1927

Common (par \$50)	\$69,989,100
Pfd. 1st (4%—par \$50).....	27,991,200
Pfd. 2nd (4%—par \$50)....	41,970,650

*BONDS OUTSTANDING

December 31, 1927

Fixed Interest	\$114,000,805
Equipment	5,825,000
Other	824,558

*Not including \$7,640,667 bonds held by or for company and \$12,880,000 equipment trust obligations owned unpledged. (Subsidiary companies at December 31, 1927, owned \$1,638,000 of the outstanding equipment obligations.) Also not including \$13,239,000 bonds, of which \$7,436,000 were owned by Reading Co., guaranteed principal and interest.

CAPITALIZATION

	Total	Per Mile
Stock	\$139,950,950	\$122,871
Bonds	120,150,363	105,487
Total	260,101,313	228,358

Fixed Charges below include \$2,824,933 for Rent for Leased Roads, including interest on \$8,498,000 P. & R. Term. 5s shown above among bonds outstanding.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,139.		
Railway Operating Revenues	\$92,590,436	\$81,290
Railway Operating Expenses	71,880,069	63,108
Net Revenue from Railway Operations	20,710,367	18,182
Other Income (1926, \$6,625,173)	6,369,645	5,593
Gross Income	27,080,012	23,775
Fixed Charges (including for Taxes, \$5,184,747)†.....	13,583,352	11,926
*Net Income (per Common Share, \$7.64)	13,496,660	11,849

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$13,744,847)	\$12,661,838	\$11,116
Maintenance of Equipment (1926, \$21,642,240)	20,879,846	18,332
Traffic Expenses	970,219	852
†Transportation Expenses (1926, \$34,783,090)	34,733,540	30,494
Miscellaneous Operations and General Expenses....	2,634,626	2,314

Operating Ratio 77.6% (1926, 74.0%; 1925, 75.0%; 1924, 76.3%; 1923, 72.5%).

†Taxes 1926, \$5,531,266; 1925, \$4,849,772; 1924, \$4,284,018.

*This Net Income before deducting \$47,489 for sinking and other reserve funds and \$3,620,000 for investment in physical property.

†After deducting \$160,889 Transportation for Investment—Cr.

Other Income above includes \$839,955 (1926, \$1,415,769) from Hire of Freight Cars, Cr. Bal., \$317,489 Net Rent from Other Equipment, \$116,740 from Net Joint Facility Rents, \$295,086 from Miscellaneous Non-operating Physical Property, \$1,452,068 Income from Securities and Accounts, and \$2,398,848 (1926, \$2,431,778; 1925, \$2,760,347) from Dividends.

Equipment Dec. 31: Locos., 1,047; Pass., 945; Freight, 43,719; Floating, 141.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.8%	33.4%	32.9%	33.6%	30.8%	29.6%
For Other Oper. Exp.....	38.7%	36.0%	36.7%	38.0%	37.3%	35.3%
For Fixed Charges	13.8%	13.1%	13.0%	13.0%	12.1%	24.5%
For Net Income	13.7%	17.5%	17.4%	15.4%	19.8%	10.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	5,797,312	6,335,018	5,724,023	5,398,372
Passenger miles per mile of road....	321,667	354,351	351,954	260,190
Miles, second and addit'l main track.	704	703	698	696
Miles, yards and sidings	1,039	1,031	1,027	1,026

See Notes, page 305.

ULSTER & DELAWARE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	129	\$1,188,053	\$72,701	1922	129	\$1,652,803	*\$112,570
1913-14	129	1,076,217	23,620	1923	129	1,742,002	15,796
1914-15	129	1,033,734	*58,874	1924	129	1,504,984	11,125
1915-16	129	1,025,638	150,690	1925	129	1,331,587	*94,982
1917	129	1,008,893	53,653	1926	129	1,242,253	*111,697
1921	129	1,747,687	5,727	1927	129	1,211,568	*106,334

*Deficit.

STOCK OUTSTANDING

December 31, 1927

Common\$1,900,000

BONDS OUTSTANDING

December 31, 1927

*Mortgage Bonds\$3,000,000

* \$2,000,000 First Consolidated 5s due June 1, 1928, and \$1,000,000 First Refunding 4s due 1952. See Notes.

CAPITALIZATION

	Total	Per Mile
Stock	\$1,900,000	\$14,729
Bonds	3,000,000	23,256
Total	4,900,000	37,985

Fixed Charges below include \$48,237 for Net Equipment Rents, and \$1,660 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 129.		
Railway Operating Revenues.....	\$1,211,568	\$9,392
Railway Operating Expenses.....	1,059,774	8,215
Net Revenue from Railway Operations.....	151,794	1,177
Other Income (1926, \$1,798).....	1,852	14
Gross Income	153,646	1,191
Fixed Charges (including for Taxes, \$69,200)†.....	259,980	2,015
Net Deficit	106,334	824

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$200,387).....	\$211,550	\$1,640
Maintenance of Equipment (1926, \$188,626).....	186,534	1,446
Traffic Expenses	19,212	149
Transportation Expenses (1926, \$620,481).....	581,655	4,509
Miscellaneous Operations and General Expenses.....	60,823	471

Operating Ratio 87.5% (1926, 88.0%; 1925, 87.0%; 1924, 81.8%; 1923, 83.1%).

†Taxes 1926, \$69,054; 1925, \$69,100; 1924, \$62,002; 1923, \$66,113.

Other Income above includes \$60 from Net Joint Facility Rents, \$298 from Miscellaneous Rents, and \$1,292 Income from Sinking and Other Reserve Funds.

Equipment Dec. 31: Locos., 29; Pass., 55; Freight, 169.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.8%	31.3%	30.7%	28.3%	27.9%	32.6%
For Traffic, Transportation and General Expenses	54.5%	56.6%	56.1%	53.4%	54.9%	58.7%
For Fixed Charges.....	21.4%	21.1%	20.3%	17.5%	16.3%	15.2%
For Net Income.....	Deficit	Deficit	Deficit	0.8%	0.9%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	212,770	247,914	272,253	312,097
Passenger miles per mile of road.....	37,988	43,646	49,639	57,837

See Notes, page 311.

WEST JERSEY & SEASHORE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	356	\$6,405,787	\$473,394	1922	361	\$14,018,091	\$1,167,788
1914	356	6,472,599	555,959	1923	361	14,142,520	†992,884
1915	358	6,942,485	574,784	1924	362	12,932,368	867,872
1916	359	7,829,320	940,315	1925	379	13,451,533	1,233,191
1917	360	8,555,047	672,992	1926	379	12,928,921	1,046,731
1921	361	12,929,706	190,528	1927	*371	11,643,817	576,306

*Including 88 miles trackage rights; increase over 1924 due chiefly to exercise of right to maintain service on branches operated by Atlantic City & Shore R. R.; in 1926 the operation of 2 miles of ferry service was discontinued owing to opening of the Delaware River bridge. †Not including \$132,424 credits resulting from final settlement of Government accounts.

*STOCK OUTSTANDING

December 31, 1927

Common (par \$50)\$11,586,450
 Special Gtd. (par \$50) ... 98,250

*Owned \$6,747,900 common stock by Pennsylvania R. R. Not including \$1,465 common and \$5,750 special guaranteed stock reserved for conversion of constituent companies' securities.

BONDS OUTSTANDING

December 31, 1927

1st Cons. Mtge. due 1936.\$5,083,000
 Equipment 15,289

CAPITALIZATION

	Total	Per Mile
Stock	\$11,691,915	\$31,514
Bonds	5,098,289	13,741
Total	16,790,204	45,255

Fixed Charges below include \$179,747 (1926, credit, \$3,264) for Net Joint Facility Rents, \$185,967 (1926, \$178,912) for Net Equipment Rents, and \$1,845 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 371.		
Railway Operating Revenues	\$11,643,817	\$31,384
Railway Operating Expenses	9,847,874	26,544
Net Revenue from Railway Operations	1,795,943	4,840
Other Income (1926, \$119,090)	871,576	732
Gross Income	2,067,519	5,572
Fixed Charges (including for Taxes, \$880,848)†.....	1,491,213	4,019
*Net Income (per Common Share, \$2.46)	576,306	1,553

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,254,377)	\$1,921,567	\$5,179
Maintenance of Equipment (1926, \$1,987,449)	1,915,712	5,163
Traffic Expenses	236,309	637
†Transportation Expenses (1926, \$5,817,862)	5,429,770	14,663
Miscellaneous Operations and General Expenses	334,516	902

Operating Ratio 84.6% (1926, 82.3%; 1925, 81.1%; 1924, 84.0%; 1923, 84.8%).

†Taxes 1926, \$944,481; 1925, \$1,015,114; 1924, \$908,068; 1923, \$860,086.

*This Net Income before deducting \$121,850 for sinking fund appropriations.

†After deducting \$2,747 Transportation for Investment—Cr.

Other Income above includes \$88,986 from Miscellaneous Rents, \$9,736 from Miscellaneous Non-operating Physical Property, and \$41,821 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 47; Pass., 278, incl. 108 electric and 86 street cars; Freight, 461.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.3%	32.5%	32.6%	33.3%	34.0%	31.7%
For Traffic, Transportation and General Expenses	50.5%	49.1%	46.7%	49.0%	47.5%	49.4%
For Fixed Charges	12.6%	10.4%	11.8%	11.2%	10.8%	10.7%
For Net Income	4.6%	8.0%	8.9%	6.5%	7.7%	8.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	504,622	492,146	436,882	425,638
Passenger miles per mile of road....	710,463	798,029	875,181	907,125
Miles, second and addit'l main track.	180	188	188	173
Miles, yards and sidings	149	151	150	147

See Notes, page 312.

AKRON, CANTON & YOUNGSTOWN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1924	171	\$2,824,646	\$371,350	1926	171	\$3,813,877	\$287,706
1925	171	3,194,729	446,828	1927	*171	3,171,453	248,219

*Including 152 miles, Northern Ohio Ry., leased.

STOCK OUTSTANDING

December 31, 1927

*Common\$1,500,000

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$3,050,000
Equipment 187,000

*Not including \$13,500,000 held in treasury. †Not including \$2,500,000 First Mortgage 5% bonds of Northern Ohio Ry., leased, guaranteed; nor \$500,000 Series B 5½s sold in 1928.

CAPITALIZATION

	Total	Per Mile
Stock	\$1,500,000	\$8,772
Bonds	3,287,000	18,930
Total	4,737,000	27,702

Fixed Charges below include \$373,368 (1926, \$419,966; 1925, \$444,276) for Net Equipment and Joint Facility Rents, and \$197,412 (1926, \$87,951; 1925, \$98,638; 1924, \$127,806) for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 171.	Total	Per Mile
Railway Operating Revenues.....	\$3,171,453	\$18,547
Railway Operating Expenses.....	2,092,125	12,235
Net Revenue from Railway Operations.....	1,079,328	6,312
Other Income (1926, \$76,077).....	68,184	399
Gross Income	1,147,512	6,711
Fixed Charges (including for Taxes, \$121,071)†.....	899,293	5,259
Net Income (per Common Share, \$16.54).....	248,219	1,452

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$615,079).....	\$500,550	\$2,927
Maintenance of Equipment (1926, \$355,584).....	373,208	2,183
Traffic Expenses	138,012	807
†Transportation Expenses (1926, \$937,787).....	898,904	5,257
Miscellaneous Operations and General Expenses.....	181,451	1,061

Operating Ratio 65.9% (1926, 67.5%; 1925, 61.0%; 1924, 61.3%; 1923, 61.6%).

†Taxes 1926, \$216,900; 1925, \$176,884; 1924, \$184,400; 1923, \$169,862.

†After deducting \$3,048 Transportation for Investment—Cr.

Equipment Dec. 31: Locom., 28; Pass., 5; Freight, 228.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924
For Maintenance Expenses.....	27.0%	28.6%	24.5%	22.8%
For Traffic, Transportation and General Expenses	37.6%	37.4%	35.3%	36.1%
For Fixed Charges.....	27.7%	27.0%	26.5%	26.7%
For Net Income.....	7.7%	7.0%	13.7%	14.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	928,264	948,638	852,827	713,958

See Notes, page 313.

THE EARNING POWER

ANN ARBOR R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	292	\$2,084,696	\$153,802	1922	294	\$5,053,161	\$46,179
1913-14	292	2,096,169	80,994	1923	294	5,602,575	80,000
1914-15	292	2,310,902	100,757	1924	294	5,532,186	336,857
1915-16	292	2,684,309	335,888	1925	294	5,867,692	459,679
1917	292	*3,138,943	69,724	1926	294	5,882,293	422,964
1921	294	5,122,112	†86,053	1927	294	5,615,112	256,787

*Outside operations included. †On basis actual operations; excluding adjustment of Government accounts.

*STOCK OUTSTANDING

December 31, 1927

Common	\$3,250,000
Preferred (5%)	4,000,000

BONDS OUTSTANDING

December 31, 1927

First Mortgage (4%)	\$7,000,000
Equipment	967,600
†Notes (6%)	1,116,000
†Other	443,013

*Owned 96.93% by Wabash Ry. The preferred stock is non-cumulative. †Due March, 1930. ‡Non-negotiable debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$312,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$7,250,000	\$24,659
Bonds	9,526,713	32,404
Total	16,776,713	57,063

Fixed Charges below include \$198,387 (1926, \$203,569; 1925, \$210,557; 1924, \$290,284) for Hire of Freight Cars, Dr. Bal., \$79,902 Net Rent for Other Equipment, and \$20,770 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 294.		
Railway Operating Revenues	\$5,615,112	\$19,090
Railway Operating Expenses	4,332,331	14,736
Net Revenue from Railway Operations	1,282,781	4,364
Other Income (1926, \$92,148)	93,483	317
Gross Income	1,376,264	4,681
Fixed Charges (including for Taxes, \$296,784)†.....	1,119,477	3,807
Net Income	256,787	874

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$626,365)	\$663,500	\$2,256
Maintenance of Equipment (1926, \$1,219,934)	1,199,675	4,080
Traffic Expenses	154,348	524
†Transportation Expenses (1926, \$2,299,632)	2,173,609	7,394
Miscellaneous Operations and General Expenses	141,199	481

Operating Ratio 72.2% (1926, 75.6%; 1925, 75.6%; 1924, 77.6%; 1923, 81.1%).

†Taxes 1926, \$289,140; 1925, \$267,077; 1924, \$289,401; 1923, \$253,040.

†After deducting \$20,956 Transportation for Investment—Cr.

Other Income above includes \$70,667 for Net Joint Facility Rents, and \$16,934 from Miscellaneous Rents.

Equipment Dec. 31: Locos., 51; Pass., 35; Freight, 2,281; Car Ferries, 6.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.7%	30.9%	29.9%	30.6%	45.1%	30.5%
For Traffic, Transportation and General Expenses	43.1%	43.5%	44.5%	45.6%	34.6%	48.7%
For Fixed Charges	19.7%	18.5%	17.9%	17.9%	18.9%	19.9%
For Net Income	4.5%	7.1%	7.7%	5.9%	1.4%	0.9%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,725,688	1,852,251	1,785,282	1,661,151
Passenger miles per mile of road....	27,586	30,418	32,370	44,909
Miles, yards and sidings	131	127	121	117

See Notes, page 314.

CHICAGO & ALTON R. R.*(Receivers Appointed August, 1922)*

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1914-15	1,050	\$14,245,624	\$1,690,156	1923	1,050	\$33,588,198	†\$1,117,145
1915-16	1,052	16,825,288	171,578	1924	1,051	30,854,030	175,804
1917	1,052	20,525,689	47,092	1925	1,056	31,077,084	†41,283
1921	1,051	31,057,069	2,059,532	1926	1,056	31,474,823	498,758
1922	1,050	27,593,925	2,490,482	1927	*1,037	28,345,728	1,685,280

*Includes 42 miles trackage. †Net Income.

STOCK OUTSTANDING

December 31, 1927

Common	\$19,542,800
*Preferred (4%).....	19,544,000
†Prior Preferred (4%).....	868,700

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds.....	\$84,184,000
Equipment	4,768,800
‡Guaranteed Stocks.....	3,693,200
**Other	37,705

*Non-cumulative. †Prior Lien and Participating Preferred; cumulative, arrears approximately 62% December 31, 1927. ‡Comprises \$45,850,000 Ref. 3s, \$22,000,000 First Lien 3½s, and \$16,834,000 General 6s. §Including \$114,200 K. C., St. L. & C. R. R. 7% common on which dividends are paid but not guaranteed. **Non-negotiable debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$2,326,060.

CAPITALIZATION

	Total	Per Mile
Stock	\$39,955,500	\$38,530
Bonds	92,683,705	89,377
Total	132,639,205	127,907

Fixed Charges below include \$958,809 (1926, \$935,018; 1925, \$831,780) for Net Joint Facility Rents, \$1,152,076 (1926, \$1,101,230) for Net Equipment Rents, \$278,945 for Guaranteed Interest and Dividends on Securities of Subsidiary Companies, \$3,441,976 for Interest on Funded Debt, and \$125,108 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,037.		
Railway Operating Revenues.....	\$28,345,728	\$27,334
Railway Operating Expenses.....	22,263,945	21,470
Net Revenue from Railway Operations.....	6,081,783	5,864
Other Income (1926, \$188,148).....	256,713	248
Gross Income	6,338,496	6,112
Fixed Charges (including for Taxes, \$1,232,914)†.....	8,023,776	7,737
Net Deficit	1,685,280	1,625

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$4,191,780).....	\$3,692,837	\$3,561
Maintenance of Equipment (1926, \$7,256,915).....	5,974,945	5,762
Traffic Expenses	922,230	890
‡Transportation Expenses (1926, \$10,901,531).....	10,640,094	10,261
Miscellaneous Operations and General Expenses.....	1,033,839	996

Operating Ratio 78.5% (1926, 76.9%; 1925, 75.4%; 1924, 77.5%; 1923, 75.6%).

†Taxes 1926, \$1,236,856; 1925, \$1,282,761; 1924, \$1,248,085; 1923, \$1,275,521.

‡After deducting \$194,801 Transportation for Investment—Cr.

Other Income above includes \$9,422 from Lease of Road, \$79,842 from Miscellaneous Rents, \$56,750 from Miscellaneous Non-operating Physical Property, and \$75,781 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 325; Pass., 231; Freight, 13,720.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.8%	36.2%	34.3%	35.9%	37.5%	39.0%
For Other Oper. Exp.....	44.0%	40.3%	40.6%	40.9%	37.5%	45.8%
For Fixed Charges.....	28.0%	25.1%	25.0%	23.6%	21.7%	24.1%
For Net Income.....	Deficit	Deficit	0.1%	Deficit	3.3%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	1,801,405	2,031,021	2,029,906	2,077,956
Passenger miles per mile of road.....	186,889	195,620	190,945	185,511
Miles, second and addit'l main track.	301	301	301	295
Miles, yards and sidings.....	537	538	530	527

See Notes, page 316.

CHICAGO & EASTERN ILLINOIS RY.

(Successor to E. R. Co. January 1, 1922)

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	945	\$24,731,348	\$787,344	1925	945	\$26,574,508	\$161,968
1923	945	28,405,408	1,308,133	1926	945	28,251,751	644,853
1924	945	26,068,789	†568,447	1927	*945	26,714,327	438,409

*Including 122 miles operated but not maintained. †Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	\$23,845,300
*Preferred (6%)	22,046,100

*Cumulative from January 1, 1924.

1961, \$4,281,300 pledged and \$4,571,400 unpledged in treasury, and \$1,554,700 General Mortgage bonds in sinking fund.

Loans and Bills Payable, December 31, 1927, \$500,000.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$36,772,936
Equipment	1,235,200
Note to Govt. (6%)	3,425,000

†Not including Prior Lien bonds due

CAPITALIZATION

	Total	Per Mile
Stock	\$45,891,400	\$48,562
Bonds	41,433,136	43,845
Total	87,324,536	92,407

Fixed Charges below include \$521,267 (1926, \$551,244) for Net Joint Facility Rents, \$963,688 (1926, \$834,080; 1925, \$599,808; 1924, \$201,186; 1923, credit balance, \$1,058,334) for Hire of Equipment and \$153,604 for Rent for Leased Road.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 945.		
Railway Operating Revenues	\$26,714,327	\$28,269
Railway Operating Expenses	21,529,900	22,783
Net Revenue from Railway Operations	5,184,427	5,486
Other Income (1926, \$422,243)	502,380	532
Gross Income	5,686,807	6,018
Fixed Charges (including for Taxes, \$1,400,000)†.....	5,248,398	5,554
*Net Income	438,409	464

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,044,951).....	\$3,192,223	\$3,378
Maintenance of Equipment (1926, \$7,241,196)	5,972,979	6,321
Traffic Expenses	983,921	1,041
†Transportation Expenses (1926, \$10,310,527)	10,314,796	10,915
Miscellaneous Operations and General Expenses....	1,065,981	1,123

Operating Ratio 80.6% (1926, 80.0%; 1925, 83.1%; 1924, 86.1%; 1923, 85.5%).

†Taxes 1926, \$1,642,000; 1925, \$1,395,000; 1924, \$1,445,000; 1923, \$1,555,000.

*This Net Income before deducting \$245,236 for sinking fund.

†After deducting \$115,786 Transportation for Investment—Cr.

Other Income above includes \$30,851 from Miscellaneous Rents, \$14,737 from Miscellaneous Non-operating Physical Property, \$5,916 from Lease of Road, \$295,855 Income from Securities and Accounts, and \$111,680 (1926, \$81,680) from Dividends.

Equipment Dec. 31: Locos., 340; Pass., 284; Freight, 16,812; Floating, 2.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.7%	35.9%	38.5%	39.5%	39.6%	35.9%
For Traffic, Transportation and General Expenses	45.4%	43.0%	43.3%	45.4%	41.6%	45.3%
For Fixed Charges	19.3%	18.9%	17.6%	17.3%	14.4%	15.8%
For Net Income	1.6%	2.2%	0.6%	Deficit	4.4%	3.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,694,545	2,719,623	2,491,432	2,840,413
Passenger miles per mile of road....	147,013	162,264	157,961	161,011
Miles, second and addit'l main track.	*339	339	339	339
Miles, yards and sidings	652	646	644	642

*Including 121 miles operated but not maintained.

See Notes, page 319.

CHICAGO & NORTH WESTERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	7,974	\$83,035,921	\$14,875,013	1922	8,404	\$146,100,437	\$8,873,200
1913-14	8,071	83,687,051	12,306,142	1923	8,463	160,425,965	8,737,468
1914-15	8,108	80,779,675	11,914,049	1924	8,463	149,454,584	7,671,324
1915-16	8,108	91,313,866	17,232,510	1925	8,468	148,538,269	10,784,578
1917	8,108	108,284,983	17,125,031	1926	8,459	154,335,724	12,419,841
1921	8,402	144,775,476	*1,813,535	1927	8,465	150,132,960	9,926,063

*Deficit.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$158,444,325
†Preferred (7%)	22,395,120

*Not including \$2,343,687 common and \$3,835 preferred stock in treasury. Including \$13,288,972 common stock exchanged in 1926 and 1927 for \$5,089,600 preferred and \$7,916,400 common stock of C., St. P., M. & O. Ry. Similarly \$1,970,478 additional common stock was issuable. †Non-cumulative; see Notes for dividend participating privileges. ‡Net including \$8,031,000 bonds and \$7,132,000 equipment obligations owned unpledged and \$35,500,000 bonds pledged. Latter are security for \$15,000,000 7s. due 1930 and \$15,000,000 6½s due 1936.

†BONDS OUTSTANDING

December 31, 1927

Fixed Interest	\$250,959,000
Equipment	27,018,200

CAPITALIZATION

	Total	Per Mile
Stock	\$180,840,045	\$21,363
Bonds	277,977,200	32,838
Total	458,817,245	54,201

Fixed Charges below include \$3,063,730 (1926, \$2,134,308; 1925, \$1,752,367; 1924, \$2,721,525) for Net Equipment and Joint Facility Rentals, and \$35,212 for Other Rentals.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 8,465.		
Railway Operating Revenues	\$150,132,960	\$17,736
Railway Operating Expenses	116,994,267	13,821
Net Revenue from Railway Operations	33,138,693	3,915
Other Income (1926, \$2,705,403)	2,839,826	335
Gross Income	35,978,519	4,250
Fixed Charges (including for Taxes, \$9,783,807)†.....	26,052,456	3,078
*Net Income (per Common Share, \$5.27)	9,926,063	1,172

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$23,290,736)	\$22,230,791	\$2,626
Maintenance of Equipment (1926, \$31,917,474)	29,389,959	3,472
Traffic Expenses	2,487,716	294
†Transportation Expenses (1926, \$57,769,932)	57,558,594	6,800
Miscellaneous Operations and General Expenses....	5,327,207	629

Operating Ratio 77.9% (1926, 78.1%; 1925, 77.8%; 1924, 80.7%; 1923, 82.6%).

†Taxes 1926, \$9,278,363; 1925, \$10,004,224; 1924, \$9,348,842; 1923, \$9,277,409.

*This Net Income before deducting \$7,900,878 for dividends.

†After deducting \$560,318 Transportation for Investment—Cr.

Other Income above includes \$829,060 (1926, \$798,083; 1925, \$694,685) from Rentals, \$501,918 (1926, \$489,672; 1925, \$555,887) Income from Unfunded Securities, Accounts, etc., and \$1,476,124 (1926, \$1,383,405; 1925, \$1,050,047; 1924, \$1,977,534; 1923, \$2,798,834; 1922, \$3,980,582; 1921, \$2,577,208) from Dividends.

Equipment Dec. 31: Locos., 1,952; Pass., 2,214; Freight, 68,526.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.7%	35.2%	34.2%	34.7%	35.9%	33.0%
For Traffic, Transportation and General Expenses	42.7%	41.6%	42.4%	44.1%	44.4%	46.0%
For Fixed Charges	17.1%	15.3%	16.2%	16.2%	14.4%	15.1%
For Net Income	6.5%	7.9%	7.2%	5.0%	5.3%	5.9%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,014,767	1,027,057	978,623	979,615
Passenger miles per mile of road....	113,434	120,334	124,284	129,714
Miles, second and addit'l main track.	1,123	1,123	1,123	1,130
Miles, yards and sidings	3,809	3,741	3,705	3,702

See Notes, page 322.

CHICAGO, BURLINGTON & QUINCY R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	9,109	\$94,874,486	\$19,430,746	1922	9,394	\$184,916,470	\$20,261,488
1913-14	9,139	92,750,934	17,114,407	1923	9,401	171,270,661	19,290,539
1914-15	9,339	91,125,061	19,041,919	1924	9,407	162,674,878	21,899,839
1915-16	9,368	102,358,893	29,846,270	1925	9,399	159,155,178	21,184,593
1917	9,373	122,342,707	29,406,032	1926	9,404	161,817,442	23,987,968
1921	9,393	168,712,268	25,609,973	1927	9,390	156,320,454	21,443,124

*Including 4,844 miles branches and 364 operated under lease or contract.

STOCK OUTSTANDING

December 31, 1927

*Common\$170,839,100

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$219,672,000
Equipment 3,232,000

*Owned \$83,017,900 each by Great Northern Ry. and Northern Pacific Ry. and \$2,806,800 by Northern Securities Co. †Not including \$18,250,000 bonds pledged and \$9,873,000 unpledged in treasury.

CAPITALIZATION

	Total	Per Mile
Stock	\$170,839,100	\$18,194
Bonds	222,904,000	23,738
Total	393,743,100	41,932

Fixed Charges below include \$2,167,470 (1926, \$2,043,745; 1925, \$2,009,829) for Net Joint Facility Rents, \$2,864,201 (1926, \$1,815,918; 1925, \$1,816,189) for Net Equipment Rents, \$149,519 for Rent for Leased Roads, \$28,780 for Miscellaneous Rents, and \$135,532 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 9,390.		
Railway Operating Revenues	\$156,220,454	\$16,648
Railway Operating Expenses	111,917,503	11,919
Net Revenue from Railway Operations	44,402,951	4,729
Other Income (1926, \$2,996,604)	2,881,907	307
Gross Income	47,284,858	5,086
Fixed Charges (including for Taxes, \$11,676,578)†.....	25,841,734	2,752
*Net Income (per Common Share, \$12.55).....	21,443,124	2,284

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$23,965,178)	\$23,668,878	\$2,521
Maintenance of Equipment (1926, \$30,131,658)	26,486,675	2,821
Traffic Expenses	3,161,990	337
†Transportation Expenses (1926, \$53,218,980)	52,616,850	5,608
Miscellaneous Operations and General Expenses ...	5,983,610	637
Operating Ratio 71.6% (1926, 72.2%; 1925, 73.3%; 1924, 73.7%; 1923, 73.4%).		
†Taxes 1926, \$11,480,061; 1925, \$10,975,481; 1924, \$10,642,576; 1923, \$9,268,055.		

*This Net Income before deducting \$17,083,815 for dividends.

†After deducting \$886,922 Transportation for Investment—Cr.

Other Income above includes \$588,758 from Miscellaneous Rents, \$1,006,467 Income from Securities and Accounts and \$1,205,580 (1926, \$1,125,972; 1925, \$362,958; 1924, \$521,640) from Dividends.

Equipment Dec. 31: Locos., 1,794; Pass., 1,340; Freight, 65,596.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.5%	32.9%	33.1%	32.8%	36.0%	33.6%
For Traffic, Transportation and General Expenses	38.8%	38.0%	39.2%	40.0%	41.2%	41.7%
For Fixed Charges	16.2%	14.5%	14.5%	13.9%	11.6%	12.7%
For Net Income	13.5%	14.6%	13.2%	13.3%	11.2%	12.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,279,704	1,353,309	1,317,688	1,306,203
Passenger miles per mile of road....	88,633	94,726	97,135	96,660
Miles, second and addit'l main track.	1,120	1,097	1,086	1,069
Miles, yards and sidings	3,500	3,517	3,462	3,467

See Notes, page 325.

CHICAGO GREAT WESTERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	1,428	\$13,920,685	\$868,194	1923	1,496	\$25,723,707	\$570,767
1915-16	1,456	15,067,345	1,763,994	1924	1,496	24,726,678	601,558
1917	1,496	16,868,323	1,345,841	1925	1,496	24,502,760	628,920
1921	1,496	24,273,653	*592,601	1926	1,496	25,859,000	901,405
1922	1,496	24,224,789	*1,305,630	1927	†1,496	24,444,753	400,398

*Deficit. †Including 105 miles branches and 86 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

Common	\$45,210,513
*Preferred (4%)	47,133,002

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$36,098,000
Equipment	2,444,410
Notes due 1930 (6%)	2,700,000
Other	84,696

*Cumulative from July 1, 1914; arrears 49% July 1, 1928. †Not including \$19,738,000 First 4s unpledged in treasury and \$5,501,000 pledged.

CAPITALIZATION

	Total	Per Mile
Stock	\$92,343,515	\$61,727
Bonds	41,327,106	27,625
Total	133,670,621	89,352

Fixed Charges below include \$899,495 (1926, \$866,385) for Net Joint Facility Rents, \$813,779 (1926, \$862,670; 1925, \$701,535) Net Rent for Equipment, \$44,818 for Rent for Leased Roads, \$8,183 for Miscellaneous Rents, and \$13,886 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,496.		
Railway Operating Revenues	\$24,444,753	\$16,340
Railway Operating Expenses	19,722,210	13,183
Net Revenue from Railway Operations	4,722,543	3,157
Other Income (1926, \$233,789)	238,450	159
Gross Income	4,960,993	3,316
Fixed Charges (including for Taxes, \$1,042,859)†.....	4,560,595	3,049
Net Income	400,398	267

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,422,674)	\$3,374,710	\$2,256
Maintenance of Equipment (1926, \$4,991,567)	4,639,132	3,101
Traffic Expenses	933,838	624
†Transportation Expenses (1926, \$9,830,103)	9,919,740	6,631
Miscellaneous Operations and General Expenses	854,790	571

Operating Ratio 80.7% (1926, 79.0%; 1925, 80.9%; 1924, 81.8%; 1923, 83.3%).

†Taxes 1926, \$1,129,183; 1925, \$1,000,263; 1924, \$945,938; 1923, \$856,144.

†After deducting \$33,181 Transportation for Investment—Cr.

Other Income above includes \$80,673 from Miscellaneous Rents, \$141,589 (1926, \$147,544) income from Securities and Accounts, and \$13,882 (1926, \$5,569; 1925, \$184,844; 1924, \$4,878) from Dividends.

Equipment Dec. 31: Locos., 266; Pass., 205; Freight, 8,934.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.5%	32.9%	33.4%	33.8%	34.7%	38.2%
For Traffic, Transportation and General Expenses	47.4%	45.4%	46.3%	47.5%	47.8%	48.8%
For Fixed Charges	18.5%	18.2%	17.8%	16.3%	15.3%	18.3%
For Net Income	1.6%	3.5%	2.5%	2.4%	2.2%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	1,335,040	1,396,326	1,314,716	1,299,432
Pass. miles per mi. of road (1,427 mi.)	74,692	73,907	88,922	78,817
Miles, second and addit'l main track.	129	129	129	129
Miles, yards and sidings	598	597	596	595

See Notes, page 328.

CHICAGO, INDIANAPOLIS & LOUISVILLE RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	617	\$6,985,944	\$538,361	1922	655	\$16,031,586	\$694,768
1913-14	618	6,944,005	145,798	1923	657	17,923,547	1,256,006
1914-15	621	6,559,665	239,773	1924	653	17,044,000	1,004,746
1915-16	622	7,694,734	892,083	1925	650	17,686,040	1,424,680
1917	654	9,161,898	800,096	1926	648	18,598,066	1,689,640
1921	656	15,162,870	263,813	1927	*650	18,542,197	1,566,332

*Including 34 miles trackage rights.

*STOCK OUTSTANDING

December 31, 1927

Common	\$10,500,000	†Fixed Interest	\$25,083,000
Preferred (4%)	5,000,000	Equipment	2,277,889

*Owned \$9,806,900 common and \$3,873,400 preferred stock in equal share by Louisville & Nashville R. R. and Southern Ry. The preferred stock is non-cumulative. †Not including \$2,181,000 held by or for company, and \$2,875,000 outstanding First 5s of Monon Coal Co. guaranteed as to interest.

BONDS OUTSTANDING

December 31, 1927

CAPITALIZATION

	Total	Per Mile
Stock	\$15,500,000	\$23,846
Bonds	27,360,889	42,094
Total	42,860,889	65,940

Fixed Charges below include \$678,564 for Net Joint Facility Rents, \$570,814 (1926, \$536,131; 1925, \$613,813) for Hire of Freight Cars, Dr. Bal., \$1,018 Net Rent for Other Equipment, \$5,030 for Miscellaneous Rents, and \$38,957 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 650.		
Railway Operating Revenues	\$18,542,197	\$28,526
Railway Operating Expenses	13,571,861	20,890
Net Revenue from Railway Operations	4,970,336	7,646
Other Income (1926, \$118,489)	172,997	267
Gross Income	5,143,333	7,913
Fixed Charges (including for Taxes, \$899,593)†.....	3,577,001	5,508
Net Income (per Common Share, \$13.01)	1,566,332	2,410

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,799,733)	\$1,832,247	\$2,819
Maintenance of Equipment (1926, \$3,867,303)	3,927,455	6,042
Traffic Expenses	474,061	729
†Transportation Expenses (1926, \$6,602,519)	6,709,640	10,323
Miscellaneous Operations and General Expenses....	628,458	967

Operating Ratio 73.2% (1926, 71.7%; 1925, 72.8%; 1924, 73.2%; 1923, 72.2%).

†Taxes 1926, \$1,055,470; 1925, \$895,069; 1924, \$936,986; 1923, \$1,043,768.

†After deducting \$41,502 Transportation for Investment—Cr.

Other Income above includes \$11,594 from Miscellaneous Rents, \$30,993 Income from Securities and Accounts, and \$124,400 (1926, \$74,424; 1925, \$74,407) from Dividends.

Equipment Dec. 31: Locos., 165; Pass., 94; Freight, 6,717.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.7%	30.3%	31.5%	31.3%	31.4%	32.1%
For Traffic, Transportation and General Expenses	41.8%	40.9%	40.7%	41.3%	40.2%	42.0%
For Fixed Charges	19.2%	19.8%	19.8%	21.6%	21.5%	20.6%
For Net Income	8.3%	9.0%	8.0%	5.8%	6.9%	4.3%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,274,847	2,153,457	1,871,522	1,610,472
Passenger miles per mile of road....	115,302	123,504	127,119	125,089
Miles, yards and sidings	331	318	310	304

See Notes, page 331.

CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	1,747	\$16,993,004	\$2,278,933	1922	1,749	\$27,801,007	\$1,177,929
1913-14	1,748	17,992,371	2,021,615	1923	1,749	28,363,234	624,173
1914-15	1,753	17,841,348	2,219,085	1924	1,749	27,915,736	1,636,908
1915-16	1,753	19,522,563	3,003,027	1925	1,842	26,850,133	813,165
1917	1,749	21,476,509	2,118,589	1926	1,802	26,433,019	809,742
1921	1,749	28,137,408	†285,677	1927	*1,747	26,847,105	319,885

*Including 70 miles leased. In 1925, 95 miles trackage rights over Chicago & North Western Ry. were added but in 1926 were relinquished. †Deficit.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$18,559,087
Preferred (7%)	11,259,859

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$44,086,000
Equipment	2,833,400

*Not including \$1,386,974 preferred and \$2,844,207 common stock held in treasury. Preferred stock is non-cumulative. The common stock may not receive dividends at a higher rate per cent than is paid on the preferred stock. Chicago & North Western Ry. owned \$10,469,600 preferred and \$17,456,400 common stock at December 31, 1927; see Notes regarding acquisition. †All due in 1930; \$24,952,634 are 6% and \$15,400,000 5% bonds.

CAPITALIZATION

	Total	Per Mile
Stock	\$29,818,946	\$17,068
Bonds	46,919,400	26,857
Total	76,738,346	43,925

Fixed Charges below include \$1,033,842 (1926, \$693,108; 1925, \$576,474; 1924, \$687,912) for Net Equipment and Joint Facility Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,747.		
Railway Operating Revenues	\$26,847,105	\$15,367
Railway Operating Expenses	21,800,245	12,479
Net Revenue from Railway Operations	5,046,860	2,888
Other Income (1926, \$199,734)	195,665	112
Gross Income	5,242,525	3,000
Fixed Charges (including for Taxes, \$1,326,540)†.....	4,922,640	2,817
*Net Income	319,885	183

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,793,837)	\$4,273,992	\$2,447
Maintenance of Equipment (1926, \$4,888,978)	4,890,234	2,799
Traffic Expenses	413,805	236
†Transportation Expenses (1926, \$11,126,603)	11,157,386	6,387
Miscellaneous Operations and General Expenses ...	1,064,828	610

Operating Ratio 81.2% (1926, 80.5%; 1925, 80.0%; 1924, 79.5%; 1923, 82.9%).

†Taxes 1926, \$1,274,029; 1925, \$1,553,004; 1924, \$1,615,940; 1923, \$1,598,503.

*This Net Income before deducting \$562,965 for 5% preferred dividends.

†After deducting \$50,520 Transportation for Investment—Cr.

Other Income above includes \$56,699 from Rentals, \$32,905 Income from Securities and Accounts, and \$37,660 from Dividends.

Equipment Dec. 31: Locos., 853; Pass., 301; Freight, 10,959.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.9%	32.6%	31.8%	31.4%	32.6%	30.4%
For Traffic, Transportation and General Expenses	46.8%	47.3%	47.7%	47.2%	49.6%	49.1%
For Fixed Charges	18.2%	17.1%	17.5%	17.6%	15.6%	16.3%
For Net Income	1.1%	3.0%	3.0%	3.8%	2.2%	4.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	938,721	854,832	857,737	936,842
Passenger miles per mile of road....	81,267	81,174	87,111	93,345
Miles, second and addit'l main track.	223	223	223	183
Miles, yards and sidings	697	697	657	...

See Notes, page 332.

CINCINNATI NORTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1915	246	\$1,628,641	\$190,675	1923	244	\$5,174,419	\$748,950
1916	246	1,909,947	358,622	1924	244	4,826,932	855,748
1917	246	2,440,830	290,229	1925	244	4,756,220	963,996
1921	245	3,757,713	533,275	1926	244	4,808,433	982,578
1922	245	3,505,287	265,252	1927	*244	4,636,369	732,105

*Includes 39 miles trackage.

STOCK OUTSTANDING

December 31, 1927

*Common\$3,000,000

*Owned \$2,931,600 by C., C., C. & St. L. Ry. C. & St. L. Ry.

BONDS OUTSTANDING

December 31, 1927

†First Mortgage (5%)\$1,000,000
Equipment 1,094,000

†Owned \$581,000 by C., C., C. & St. L. Ry.

CAPITALIZATION

	Total	Per Mile
Stock	\$3,000,000	\$12,295
Bonds	2,094,000	8,582
Total	5,094,000	20,877

Fixed Charges below include \$381,777 (1926, \$341,594) for Net Joint Facility Rents, \$8,887 (1926, credit balance, \$34,170) for Net Equipment Rents, and \$5,809 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 244.		
Railway Operating Revenues.....	\$4,636,369	\$19,002
Railway Operating Expenses	3,153,644	12,924
Net Revenue from Railway Operations	1,482,725	6,078
Other Income (1926, \$69,668)	46,247	188
Gross Income	1,528,972	6,266
Fixed Charges (including for Taxes, \$344,804)†.....	796,867	3,265
*Net Income (per Common Share, \$24.40).....	732,105	3,001

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$544,834)	\$561,914	\$2,303
Maintenance of Equipment (1926, \$832,749).....	900,283	3,689
Traffic Expenses	75,039	308
†Transportation Expenses (1926, \$1,526,028).....	1,483,142	6,078
Miscellaneous Operations and General Expenses.....	133,266	546

Operating Ratio 68.0% (1926, 64.8%; 1925, 63.6%; 1924, 65.6%; 1923, 69.1%).

†Taxes 1926, \$330,033; 1925, \$310,997; 1924, \$287,291; 1923, \$247,428.

*This Net Income before deducting \$300,000 for dividends declared.

†Including \$412 Transportation for Investment—Dr.

Other Income above includes \$8,002 from Miscellaneous Rents, and \$37,182 Income from Securities and Accounts.

Equipment Dec. 31: Locos., 35; Pass., 13; Freight, 2,531.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.2%	28.2%	27.5%	28.9%	33.3%	37.8%
For Traffic, Transportation and General Expenses	36.1%	35.6%	35.6%	36.2%	35.3%	38.6%
For Fixed Charges.....	17.1%	16.0%	16.8%	17.3%	17.0%	16.1%
For Net Income.....	15.6%	20.2%	20.1%	17.6%	14.4%	7.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,811,683	2,940,986	2,715,771	2,638,525
Passenger miles per mile of road.....	9,880	11,709	14,670	20,591
Miles, second and addit'l main track.	37	37	37	37
Miles, yards and sidings.....	74	74	74	69

See Notes, page 333.

CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	2,014	\$33,840,298	†\$2,697,546	1922	2,409	\$84,665,690	\$7,206,998
1914	2,381	35,365,691	†1,973,687	1923	2,408	94,941,444	†11,617,354
1915	2,385	38,364,087	3,404,781	1924	2,398	87,712,381	8,080,932
1916	2,387	46,678,240	8,331,702	1925	2,391	92,061,070	11,407,525
1917	2,387	52,650,920	5,257,907	1926	2,397	94,539,987	11,395,283
1921	2,411	79,793,593	2,812,255	1927	*2,397	91,185,737	8,775,382

*Including 202 miles of Peoria & Eastern Ry. and 127 miles other lines operated under contract, 203 miles leased, and 171 miles trackage rights. †Deficit.
‡Including approximately \$700,000 credit in settlement of Government accounts.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$47,028,700
Preferred (5%)	9,998,500

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$115,062,281
Equipment	33,062,491
†Other	15,346,213

*Owned \$42,941,100 common and \$8,468,100 preferred stock by N. Y. Central R. R. The preferred stock is non-cumulative. †Including \$8,186,344 4% franc bonds acquired at cost of \$3,977,268 and held among investments. ‡Including \$5,000,000 Springfield Division 4% lien held by Peoria & Eastern Ry., and \$10,838,788 non-negotiable debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$154,911.

CAPITALIZATION

	Total	Per Mile
Stock	\$57,027,200	\$23,791
Bonds	163,470,985	68,197
Total	220,498,185	91,988

Fixed Charges below include \$696,032 (1926, \$491,510; 1925, \$835,832) for Net Joint Facility Rents, \$501,462 (1926, \$47,960; 1925, \$91,940; 1924, \$1,112,206) for Net Equipment Rents, \$583,318 for Rent for Leased Roads, \$198,875 for Miscellaneous Rents, and \$259,578 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,397.		
Railway Operating Revenues.....	\$91,185,737	\$38,042
Railway Operating Expenses.....	70,322,699	29,337
Net Revenue from Railway Operations.....	20,863,038	8,705
Other Income (1926, \$1,490,064)	2,714,815	1,132
Gross Income	23,577,853	9,837
Fixed Charges (including for Taxes, \$5,047,015)†.....	14,802,471	6,175
*Net Income (per Common Share, \$17.60).....	8,775,382	3,662

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$11,077,554).....	\$11,103,049	\$4,632
Maintenance of Equipment (1926, \$19,992,311).....	19,338,702	8,068
Traffic Expenses	1,748,909	729
†Transportation Expenses (1926, \$33,302,182).....	33,891,333	14,139
Miscellaneous Operations and General Expenses.....	4,240,706	1,769

Operating Ratio 77.1% (1926, 74.1%; 1925, 72.8%; 1924, 76.1%; 1923, 76.0%).

†Taxes 1926, \$5,884,906; 1925, \$5,534,374; 1924, \$4,906,837; 1923, \$5,124,227.

*Before deducting \$49,569 for sinking funds and \$4,144,649 for dividends.

†After deducting \$61,066 Transportation for Investment—Cr.

Other Income above includes \$284,566 from Miscellaneous Rents, \$174,027 from Miscellaneous Non-operating Physical Property, \$743,288 Income from Securities and Accounts, and \$1,485,309 (1926, \$312,644) from Dividends.

Equipment Dec. 31: Locos., 947; Pass., 636; Freight, 40,808.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.5%	32.2%	31.2%	33.6%	34.2%	32.8%
For Other Oper. Exp.....	42.4%	40.7%	40.3%	41.2%	39.7%	42.6%
For Fixed Charges.....	15.8%	15.2%	16.3%	16.1%	14.2%	16.2%
For Net Income.....	9.3%	11.9%	12.2%	9.1%	11.9%	8.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	3,545,438	3,587,377	3,445,631	3,206,109
Passenger miles per mile of road....	193,582	204,225	205,356	205,857
Miles, second and addit'l main track.	854	832	725	716
Miles, yards and sidings	1,473	1,492	1,492	1,474

See Notes, page 334.

DETROIT & MACKINAC RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	349	\$1,177,099	\$189,714	1921	386	\$1,971,128	*\$31,060
1911-12	361	1,248,102	170,225	1922	386	1,868,154	*57,052
1912-13	411	1,242,327	242,224	1923	376	1,924,862	34,814
1913-14	404	1,210,334	202,112	1924	375	1,925,509	157,129
1914-15	393	1,077,817	165,914	1925	378	1,697,184	100,291
1915-16	387	1,175,727	252,319	1926	378	1,625,950	29,774
1917	386	1,350,450	195,350	1927	†318	1,626,388	55,538

*Deficit. †Includes 122 (1926, 182) miles of branches.

STOCK OUTSTANDING

December 31, 1927

Common	\$2,000,000
*Preferred (5%)	950,000

*Non-cumulative. †Due 1995.

Loans and Bills Payable, December 31, 1927, \$70,000.

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds (4%)	\$2,750,000
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CAPITALIZATION

	Total	Per Mile
Stock	\$2,950,000	\$9,276
Bonds	2,750,000	8,648
Total	5,700,000	17,924

Fixed Charges below include \$7,927 for Net Joint Facility Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 318.		
Railway Operating Revenues	\$1,626,388	\$5,114
Railway Operating Expenses	1,395,680	4,389
Net Revenue from Railway Operations	230,708	725
Other Income (1926, \$95,165)	72,665	229
Gross Income	303,373	954
Fixed Charges (including for Taxes, \$121,621)†.....	247,835	779
*Net Income (per Common Share, \$0.40)	55,538	175

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$335,218)	\$488,689	\$1,536
Maintenance of Equipment (1926, \$424,609)	315,549	993
Traffic Expenses	24,675	77
†Transportation Expenses (1926, \$596,258)	501,215	1,577
Miscellaneous Operations and General Expenses ...	65,552	206

Operating Ratio 85.8% (1926, 89.0%; 1925, 88.9%; 1924, 83.2%; 1923, 92.0%).

†Taxes 1926, \$112,760, 1925, \$121,804; 1924, \$126,612; 1923, \$100,535.

*This Net Income before deducting \$26,129 (1926, \$48,245; 1925, \$314,866; 1924, \$86,567; 1923, \$140,416) for investment in physical property.

†After deducting \$54,997 Transportation for Investment—Cr.

Other Income above includes \$54,638 (1926, \$81,444; 1925, \$141,005; 1924, \$77,136) from Hire of Equipment, Cr. Bal., \$9,855 from Miscellaneous Non-operating Physical Property and \$5,600 from Lease of Road.

Equipment Dec. 31: Locos., 30; Pass., 38; Freight, 1,100.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses ..	47.4%	44.1%	42.8%	39.9%	46.9%	47.7%
For Traffic, Transportation and General Expenses	34.8%	40.0%	38.8%	40.0%	40.6%	42.7%
For Fixed Charges	14.6%	14.1%	13.0%	12.3%	10.8%	12.4%
For Net Income	3.2%	1.8%	5.4%	7.8%	1.7%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	254,564	223,884	216,752	217,488
Passenger miles per mile of road....	13,318	17,388	19,010	22,940
Miles, yards and sidings	85	94	95	94

See Notes, page 337.

ELGIN, JOLIET & EASTERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	803	\$15,816,473	\$825,742	1924	847	\$21,521,787	†\$269,757
1921	837	19,334,942	1,280,777	1925	851	25,006,966	1,311,527
1922	841	21,483,415	1,665,851	1926	855	26,432,112	2,060,574
1923	843	27,539,298	2,592,177	1927	*859	24,281,541	1,545,241

*Including 398 miles spurs to mines and industries; total including 870 miles leased and 249 miles trackage rights. †Not including \$268,726 credit account Income applied to Sinking and other Reserve Funds.

***STOCK OUTSTANDING**

December 31, 1927

Common\$10,000,000

BONDS OUTSTANDING

December 31, 1927

First Mortgage (5%)\$10,000,000

Equipment 3,070,000

*Owned entirely by U. S. Steel Corporation.

CAPITALIZATION

	Total	Per Mile
Stock	\$10,000,000	\$11,641
Bonds	13,070,000	15,215
Total	23,070,000	26,856

Fixed Charges below include \$1,722,079 (1926, \$2,068,940; 1925, \$2,230,143; 1924, \$1,825,496) for Net Equipment and Joint Facility Rents, \$2,335,465 (1926, \$3,236,429; 1925, \$2,801,599; 1924, \$2,895,980) for Rental of Chicago, Lake Shore & Eastern Ry., and \$20,596 for Rental of Other Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 859.	Total	Per Mile
Railway Operating Revenues	\$24,281,541	\$28,267
Railway Operating Expenses	17,000,308	19,791
Net Revenue from Railway Operations	7,281,233	8,476
Other Income (1926, \$365,716).....	424,292	494
Gross Income	7,705,525	8,970
Fixed Charges (including for Taxes, \$1,379,827)†.....	6,160,284	7,172
Net Income	1,545,241	1,798

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,391,539)	\$2,493,011	\$2,902
Maintenance of Equipment (1926, \$5,432,470)	5,138,647	5,982
Traffic Expenses	172,040	201
†Transportation Expenses (1926, \$8,667,723)	8,555,744	9,960
Miscellaneous Operations and General Expenses.....	640,866	746

Operating Ratio 70.0% (1926, 65.4%; 1925, 69.6%; 1924, 71.0%; 1923, 67.1%).

†Taxes 1926, \$1,429,750; 1925, \$1,343,534; 1924, \$1,087,372; 1923, \$1,314,899.

†After deducting \$24,177 Transportation for Investment—Cr.

Other Income above includes \$27,640 from Rentals, and \$396,425 (1926, \$339,787) Interest from Securities, Accounts and Deposits.

Equipment Dec. 31: Locos., 267; Freight, 11,112.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.9%	29.2%	32.4%	31.7%	32.7%	28.7%
For Traffic, Transportation and General Expenses	37.9%	35.3%	36.3%	38.3%	33.5%	34.1%
For Fixed Charges.....	24.9%	27.8%	26.1%	28.8%	24.5%	29.6%
For Net Income.....	6.3%	7.7%	5.2%	1.2%	9.3%	7.6%

	1927	1926	1925	1924
*Ton miles per mile of road.....	1,966,437	2,032,463	2,024,626	1,776,303
Miles, second and addit'l main track.....	57	57	56	56
Miles, yards and sidings.....	314	312	314	312

*Mileage applied includes spurs to mines and industries.

See Notes, page 338.

GREEN BAY & WESTERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	257	\$1,349,239	\$215,664	1925	234	\$1,578,446	\$344,964
1923	234	1,317,716	203,887	1926	234	1,645,802	317,796
1924	234	1,497,686	272,884	1927	*234	1,579,393	301,362

*Including 20 miles of branches.

STOCK OUTSTANDING

December 31, 1927

Common	\$2,500,000
Debentures A	600,000
Debentures B	7,000,000

Fixed Charges below include \$22,393 (1926, \$24,991) for Net Joint Facility Rents, and \$11,113 (credit, 1926, \$9,461) for Net Equipment Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 234.	Total	Per Mile
Railway Operating Revenues.....	\$1,579,393	\$6,740
Railway Operating Expenses.....	1,226,558	5,242
Net Revenue from Railway Operations.....	352,835	1,507
Other Income (1926, \$90,046).....	91,089	388
Gross Income	443,924	1,895
Fixed Charges (including for Taxes, \$95,362)†.....	142,562	609
*Net Income	301,362	1,286

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$320,857).....	\$307,523	\$1,214
Maintenance of Equipment (1926, \$277,934).....	248,249	1,061
Traffic Expenses	55,350	236
Transportation Expenses (1926, \$582,814).....	582,611	2,489
Miscellaneous Operations and General Expenses.....	32,825	142

Operating Ratio 77.6% (1926, 77.3%; 1925, 72.3%; 1924, 76.6%; 1923, 84.8%).

†Taxes 1926, \$113,624; 1925, \$104,000; 1924, \$94,037; 1923, \$87,687.

*This Net Income before deducting \$81,769 for additions and betterments and appropriations of \$30,000 (5%) on debentures A, \$125,000 (5%) on stock, and \$35,000 (1 1/2 %) on debentures B.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.3%	34.3%	30.1%	33.2%	36.2%	33.7%
For Traffic, Transportation and General Expenses	40.1%	38.5%	38.5%	39.2%	41.6%	41.9%
For Fixed Charges.....	8.5%	9.0%	10.6%	10.4%	8.0%	9.1%
For Net Income.....	18.2%	18.2%	20.8%	17.3%	14.2%	15.3%

	1927	1926	1925	1924
Ton miles per mile of road.....	438,929	439,415	407,191	355,516
Passenger miles per mile of road.....	7,926	8,930	9,775	16,064
Miles yards and sidings.....	39	54	54	...

See Notes, page 339.

HOCKING VALLEY RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	350	\$7,172,731	\$1,832,781	1921	350	\$14,083,001	\$14,806
1911-12	351	7,303,679	1,830,836	1922	349	13,855,464	685,963
1912-13	351	7,817,644	1,916,404	1923	349	17,563,402	922,840
1913-14	352	7,021,145	955,741	1924	349	17,443,399	*1,842,446
1914-15	352	6,181,153	493,402	1925	349	19,659,712	2,072,206
1915-16	351	7,411,528	1,081,766	1926	349	19,550,258	2,746,459
1917	350	10,696,434	1,933,912	1927	†349	21,042,515	3,756,595

*Not including \$520,209 credits relating to Government guaranty. †Including 21 miles leased lines.

STOCK OUTSTANDING

December 31, 1927

*Common\$10,999,500

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$19,731,000

†Equipment 5,852,000

‡Other 63,400

*Owned \$8,837,900 by Chesapeake & Ohio Ry. †Not including \$12,801,000 General Mortgage 6s unpledged in treasury. ‡Not including \$847,903 held by Trustee of Mortgage Fund. §Non-negotiable debt to affiliated companies.

CAPITALIZATION

	Total	Per Mile
Stock	\$10,999,500	\$31.517
Bonds	25,646,400	73.486
Total	36,645,900	105.003

Fixed Charges below include \$1,088,439 (1926, \$240,338; 1925, \$579,938) for Net Equipment Rents, and \$53,580 for Rentals and Other Payments.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 349.		
Railway Operating Revenues.....	\$21,042,515	\$60,294
Railway Operating Expenses.....	13,508,216	38,705
Net Revenue from Railway Operations.....	7,534,299	21,589
Other Income (1926, \$292,990).....	251,296	720
Gross Income	7,785,595	22,309
Fixed Charges (including for Taxes, \$1,521,865)†.....	4,029,000	11,544
Net Income (per Common Share, \$34.15).....	3,756,595	10,765

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,389,905).....	\$2,430,765	\$6,965
Maintenance of Equipment (1926, \$5,030,627).....	4,419,476	12,663
Traffic Expenses	198,443	568
†Transportation Expenses (1926, \$5,715,006).....	5,927,878	16,986
Miscellaneous Operations and General Expenses.....	531,654	1,523

Operating Ratio 64.2% (1926, 70.7%; 1925, 72.8%; 1924, 75.6%; 1923, 79.9%).

†Taxes 1926, \$1,331,760; 1925, \$1,220,004; 1924, \$1,219,610; 1923, \$1,074,399.

‡After deducting \$292 Transportation for Investment—Cr.

Other Income above includes \$7,525 (1926, \$45,558) from Net Joint Facility Rents.

Equipment Dec. 31: Locos., 131; Pass., 54; Freight, 6,535.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.2%	37.4%	39.3%	38.9%	45.8%	38.9%
For Traffic, Transportation and General Expenses	31.3%	32.3%	32.2%	32.0%	32.4%	36.6%
For Fixed Charges.....	18.9%	16.5%	18.2%	16.5%	16.7%	19.7%
For Net Income	17.6%	13.8%	10.3%	12.6%	5.1%	4.8%

	1927	1926	1925	1924
Ton miles per mile of road	8,325,485	7,448,351	7,498,868	6,482,821
Passenger miles per mile of road.....	72,605	69,388	71,432	74,786
Miles, second and addit'l main track..	144	144	139	88
Miles, yards and sidings.....	400	397	393	363

See Notes, page 340.

INDIANA HARBOR BELT R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	116	\$5,121,878	†\$1,029,781	1924	116	\$10,778,697	\$417,482
1921	120	9,034,537	301,903	1925	117	11,210,774	1,439,855
1922	120	10,299,401	1,152,151	1926	116	11,363,945	1,449,012
1923	119	11,607,333	1,027,288	1927	*130	11,435,824	1,356,213

*Includes 85 miles trackage rights of which 14 miles were acquired in 1927.

†Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common\$5,000,000

BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$9,225,000

Equipment1,382,400

†Notes2,595,413

*Owned 30% by N. Y. Central R. R., 30% by Michigan Central R. R., 20% by Chicago & North Western Ry., and 20% by Chicago, Milwaukee, St. Paul & Pacific R. R. In 1926 \$2,600,000 new stock was authorized for subscription at 100, primarily for refunding floating debt, but, owing to receivership of "St. Paul," issuance was delayed. †Non-negotiable debt to proprietor companies in proportion to stock ownership.

CAPITALIZATION

	Total	Per Mile
Stock	\$5,000,000	\$38,462
Bonds	13,202,813	101,590
Total	18,202,813	140,052

Fixed Charges below include \$319,844 for Net Joint Facility Rents, \$289,816 (1926, \$510,118; 1925, \$950,349) for Net Equipment Rents, \$28,533 for Rent for Leased Roads, and \$14,715 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 130.

	Total	Per Mile
Railway Operating Revenues.....	\$11,435,824	\$87,967
Railway Operating Expenses.....	8,521,645	65,551
Net Revenue from Railway Operations.....	2,914,179	22,416
Other Income (1926, \$74,423).....	123,110	947
Gross Income	3,037,289	23,363
Fixed Charges (including for Taxes, \$552,846)†.....	1,681,076	12,921
Net Income (per Common Share, \$27.12).....	1,356,213	10,432

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,482,000).....	\$1,659,975	\$12,769
Maintenance of Equipment (1926, \$1,605,124).....	1,713,117	13,178
Traffic Expenses	57,610	443
†Transportation Expenses (1926, \$4,675,392).....	4,658,443	35,894
Miscellaneous Operations and General Expenses.....	432,500	3,327

Operating Ratio 74.5% (1926, 71.7%; 1925, 67.8%; 1924, 75.6%; 1923, 70.5%).

†Taxes 1926, \$550,178; 1925, \$488,600; 1924, 322,669; 1923, \$368,547.

†After deducting \$8,701 Transportation for Investment—Cr.

Other Income above includes \$69,721 from Miscellaneous Rents, \$4,218 from Miscellaneous Non-operating Physical Property, \$4,259 from Lease of Road, \$3,600 Income from Funded Securities, and \$40,228 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locom., 135; Pass., 0; Freight, 1,065, including 990 leased from N. Y. C. R.R.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	29.2%	27.0%	24.2%	28.3%	23.5%	23.0%
For Traffic, Transportation and General Expenses	44.5%	44.2%	43.2%	46.7%	46.8%	44.1%
For Fixed Charges.....	14.5%	16.1%	19.8%	21.1%	20.9%	21.7%
For Net Income.....	11.8%	12.7%	12.8%	3.9%	8.8%	11.2%

	1927	1926	1925	1924
Miles, second and addit'l main track	*85	72	72	72
Miles, yards and sidings.....	*408	402	376	367

*Including 56 and 172 miles respectively of trackage rights.

See Notes, page 342.

MICHIGAN CENTRAL R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913	1,800	\$36,011,886	\$1,283,161	1922	1,862	\$83,426,407	\$12,818,271
1914	1,800	33,464,968	414,419	1923	1,863	94,798,042	14,176,448
1915	1,803	36,540,665	2,926,957	1924	1,862	87,614,662	13,627,534
1916	1,862	46,418,790	6,837,372	1925	1,871	91,864,377	18,806,194
1917	1,862	52,879,434	3,438,216	1926	1,856	95,524,343	18,963,899
1921	1,862	72,911,852	7,103,463	1927	*1,858	89,750,602	16,866,558

*Including 576 miles leased and 97 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common\$18,736,400

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$40,778,000
Equipment 26,747,318
Leased Line Bonds..... 41,027,000
†Leased Line Stock..... 6,839,900

*Owned \$18,584,100 by N. Y. Central R.R. †Not including \$6,678,000 owned unpledged. ‡Canada Southern Ry. stock, 3%; not including \$8,160,100 of this stock and \$3,300,000 other guaranteed stocks owned by Michigan Central R.R., \$499,803 dividends on which are, however, included in Fixed Charges and correspondingly in Other Income below.

CAPITALIZATION

	Total	Per Mile
Stock	\$18,736,400	\$10.084
Bonds	115,892,218	62.105
Total	134,128,618	72.189

Fixed Charges below include \$538,883 (1926, \$573,468) for Net Joint Facility Rents, \$2,785,815 for Rent for Leased Roads, and \$154,408 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 1,858.	Total	Per Mile
Railway Operating Revenues	\$89,750,602	\$48.304
Railway Operating Expenses	62,244,288	33.500
Net Revenue from Railway Operations	27,506,314	14.804
Other Income (1926, \$1,763,385)	2,330,209	1.254
Gross Income	29,836,523	16.058
Fixed Charges (including for Taxes, \$6,247,715)†.....	12,969,965	6.981
*Net Income (per Common Share, \$90.02)	16,866,558	9.077

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$11,528,183)	\$10,344,919	\$5.567
Maintenance of Equipment (1926, \$18,064,540)	16,718,888	8.998
Traffic Expenses	1,511,076	.813
†Transportation Expenses (1926, \$29,771,336)	29,475,226	15.864
Miscellaneous Operations and General Expenses.....	4,194,179	2.258

Operating Ratio 69.4% (1926, 68.0%; 1925, 67.4%; 1924, 71.0%; 1923, 71.4%).

†Taxes 1926, \$5,979,585; 1925, \$5,864,590; 1924, \$5,584,590; 1923, \$5,615,544.

*This Net Income before deducting \$7,494,560 (1926, \$6,557,740) for dividends.

†After deducting \$50,540 Transportation for Investment—Cr.

Other Income above includes \$294,779 (debit balance, 1926, \$424,049; credit balance, 1925, \$227,070; debit balance, 1924, \$312,266) for Hire of Equipment, Cr. Bal., \$230,775 from Miscellaneous Rents, \$1,069,125 (1926, \$882,725) Income from Securities and Accounts, and \$582,958 (1926, \$571,148) from Dividends.

Equipment Dec. 31: Locos., 695; Pass., 571; Freight, 38,027.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses.....	29.3%	30.4%	29.9%	31.1%	32.8%	32.0%
For Other Oper. Exp.....	38.2%	36.4%	36.2%	39.0%	37.6%	38.4%
For Fixed Charges	14.2%	13.7%	13.8%	14.6%	14.9%	14.5%
For Net Income	18.3%	19.5%	20.1%	15.3%	14.7%	15.1%

	1927	1926	1925	1924
Ton miles per mile of road (1,822 mi.)	2,350,419	2,487,988	2,345,444	2,336,423
Pass. miles per mi. of road (1,763 mi.)	327,356	352,987	340,660	334,325
Miles, second and addit'l main track.	701	701	701	700
Miles, yards and sidings	1,555	1,557	1,567	1,584

See Notes, page 343.

NEW YORK, CHICAGO & ST. LOUIS R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
*1922	1,696	\$50,948,425	\$5,339,963	1925	1,695	\$54,670,917	\$6,445,807
1923	1,696	57,477,379	6,331,342	1926	1,692	54,988,491	8,066,306
1924	1,692	53,992,435	5,869,247	1927	†1,691	58,619,600	6,639,477

*Combined results of companies subsequently consolidated. †Includes 22 miles trackage rights.

*STOCK OUTSTANDING

December 31, 1927

Common	\$30,347,734
Preferred (6%)	32,694,976

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$92,480,000
Equipment	11,517,000
†Notes	2,066,000

*Not including \$15,798,066 common and \$1,424 preferred stock in treasury and \$102,100 common and \$28,600 preferred stock issuable for stocks of constituent companies. Preferred stock is non-voting, cumulative, and redeemable at 110. †Not including \$11,389,000 owned and pledged and \$690,000 owned unpledged. ‡\$1,416,000 to U. S. Government and \$650,000 (serial) to N. Y. Central R.R.

Loans and Bills Payable, December 31, 1927, \$8,800,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$63,042,710	\$37,281
Bonds	106,063,000	62,722
Total	169,105,710	100,003

Fixed Charges below include \$69,473 for Net Joint Facility Rents, \$2,805,107 (1926, \$1,724,778; 1925, \$1,425,809) for Hire of Freight Cars, Dr. Bal., and \$101,268 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,691.		
Railway Operating Revenues	\$53,619,600	\$31,708
Railway Operating Expenses	38,574,494	22,811
Net Revenue from Railway Operations	15,045,106	8,897
Other Income (1926, \$3,630,340)	2,596,394	1,536
Gross Income	17,641,500	10,433
Fixed Charges (including for Taxes, \$2,719,955)†	11,002,023	6,506
*Net Income (per Common Share, \$15.09)	6,639,477	3,926

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$7,057,603)	\$6,683,235	\$3,953
Maintenance of Equipment (1926, \$10,717,935)	10,137,157	5,994
Traffic Expenses	1,486,004	879
†Transportation Expenses (1926, \$18,675,118)	18,301,481	10,823
Miscellaneous Operations and General Expenses	1,966,617	1,163

Operating Ratio 71.9% (1926, 72.8%; 1925, 72.4%; 1924, 74.6%; 1923, 76.4%).

†Taxes 1926, \$2,998,864; 1925, \$2,965,518; 1924, \$2,737,033; 1923, \$2,852,483.

*This Net Income before deducting \$98,224 for sinking funds and \$4,540,839 for dividends.

†After deducting \$286,495 Transportation for Investment—Cr.

Other Income above includes \$49,576 Net Rent from Equipment other than Freight Cars, \$129,417 from Miscellaneous Rents, \$81,841 from Miscellaneous Non-operating Physical Property, \$1,089,816 (1926, \$635,212; 1925, \$187,523) Income from Securities and Accounts and \$1,816,454 (1926, \$2,894,061; 1925, \$1,157,775; 1924, \$994,860; 1923, \$719,588) from Dividends.

Equipment Dec. 31: Locos., 498; Pass., 156; Freight, 22,063.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923
For Maintenance Expenses	30.1%	30.4%	31.1%	30.9%	34.2%
For Traffic, Transportation and General Expenses	38.7%	37.9%	39.3%	41.8%	40.6%
For Fixed Charges	19.3%	17.9%	18.2%	16.8%	14.4%
For Net Income	11.9%	13.8%	11.4%	10.5%	10.8%

	1927	1926	1925	1924
Ton miles per mile of road (1,665 mi.)	2,902,745	3,028,972	3,010,413	2,924,162
Pass. miles per mi. of road (1,691 mi.)	36,294	38,138	37,899	39,492
Miles, second and addit'l main track.	238	236	219	213
Miles, yards and sidings	920	917	906	874

See Notes, page 345.

PEORIA & EASTERN RY.

(Operated under Agreement by C., C., C. & St. Louis Ry.)

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	211	\$4,178,898	†\$215,092	1925	211	\$4,424,832	\$194,056
1923	212	4,561,563	†234,465	1926	211	4,009,273	247,581
1924	211	4,671,714	†216,768	1927	*211	3,902,748	226,713

*Includes 10 miles trackage. †Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common	\$9,994,200	Mortgage Bonds	\$9,802,000
†Income Bonds (4%)	4,000,000	†Other	1,257,681

*Owned \$5,000,100 by C., C., C. & St. L. Ry. †Interest payable if earned annually April 1, non-cumulative; none paid 1914-28. †Non-negotiable debt to C., C., C. & St. L. Ry., including \$1,237,681 due on operating account. Statement of accounts with C., C., C. & St. L. Ry. also showed \$284,858 credits in favor of P. & E. Ry. account depreciation and retirement of equipment.

CAPITALIZATION

	Total	Per Mile
Stock and Income Bonds	\$13,994,200	\$66,323
Bonds	11,059,681	52,415
Total	25,053,881	118,738

Fixed Charges below include \$58,668 (1926, \$46,587) for Net Joint Facility Rents, \$136,255 (1926, \$173,904; 1925, \$313,675) for Net Equipment Rents, and \$14,680 (1926, \$17,202; 1925, \$26,022) for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 211.	Total	Per Mile
Railway Operating Revenues	\$3,902,748	\$18,496
Railway Operating Expenses	3,113,664	14,757
Net Revenue from Railway Operations	789,084	3,739
Other Income (1926, \$322,971)	269,002	1,275
Gross Income	1,058,086	5,014
Fixed Charges (including for Taxes, \$218,696)†	831,373	3,940
*Net Income	226,713	1,074

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$593,872)	\$537,898	\$2,549
Maintenance of Equipment (1926, \$828,628)	724,665	3,434
Traffic Expenses	69,865	332
†Transportation Expenses (1926, \$1,567,024)	1,605,545	7,609
Miscellaneous Operations and General Expenses	175,691	833

Operating Ratio 79.8% (1926, 80.5%; 1925, 78.8%; 1924, 85.5%; 1923, 87.3%).

†Taxes 1926, \$211,478; 1925, \$189,885; 1924, \$199,200; 1923, \$177,897.

*This Net Income before deducting \$5,488 for sinking funds and \$104,626 (1926, \$78,011) for investment in physical property.

†After deducting \$607 Transportation for Investment—Cr.

Other Income above includes \$38,187 (1926, \$47,048) from Miscellaneous Rents, \$7,679 from Miscellaneous Non-operating Physical Property, \$10,880 (1926, \$10,880) from Dividends, \$10,168 (1926, \$56,741) Income from Unfunded Securities and Accounts, and \$201,812 (1926, \$201,688) Income from Funded Securities including interest on \$5,000,000 C., C., C. & St. L. Springfield Division purchase money bonds owned.

Equipment Dec. 31: Locos., 46; Pass., 27; Freight, 1,040.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	30.3%	32.9%	32.9%	40.3%	39.8%	37.7%
For Traffic, Transportation and General Expenses	44.4%	41.6%	41.3%	40.6%	41.9%	42.8%
For Fixed Charges	19.9%	19.8%	21.7%	23.4%	23.1%	24.2%
For Net Income	5.4%	5.7%	4.1%	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road	1,569,871	1,663,861	1,928,001	2,103,834
Passenger miles per mile of road	78,931	86,005	91,690	103,154
Miles, second and addit'l main track	4	4	4	4
Miles, yards and sidings	101	101	101	101

See Notes, page 356.

PERE MARQUETTE RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	2,248	\$23,507,855	\$1,973,194	1924	2,288	\$41,797,915	\$4,985,622
1921	2,231	38,161,241	3,103,375	1925	2,264	42,710,690	6,440,382
1922	2,217	38,397,933	4,350,560	1926	2,247	45,799,700	7,702,004
1923	2,238	45,965,737	5,202,810	1927	*2,244	44,744,593	7,176,924

*Including 835 miles branches, 267 miles leased and trackage rights, and Lake Erie & Detroit Ry., 199 miles.

STOCK OUTSTANDING

December 31, 1927

*Common	\$45,046,000
Prior Preference (5%)...	11,200,000
Preferred (5%)	12,429,000

*\$17,490,000 owned by a subsidiary of New York, Chicago & St. Louis R. R. The preferred stocks are cumulative and redeemable at par. †Not including \$14,204,000 First 5s owned unpledged.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$45,955,000
Equipment	7,926,000

CAPITALIZATION

	Total	Per Mile
Stock	\$68,675,000	\$30,604
Bonds	53,881,000	24,011
Total	122,556,000	54,615

Fixed Charges below include \$602,425 (1926, \$773,888; 1925, \$672,374) for Net Joint Facility Rents, and \$711,860 (1926, \$923,186; 1925, \$459,834; 1924, \$919,635; 1923, \$1,625,249) for Net Equipment Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,244.		
Railway Operating Revenues	\$44,744,593	\$19,940
Railway Operating Expenses	31,639,864	14,100
Net Revenue from Railway Operations	13,104,729	5,840
Other Income (1926, \$474,527)	449,402	200
Gross Income	13,554,131	6,040
Fixed Charges (including for Taxes, \$2,491,074)†.....	6,377,207	2,842
Net Income	7,176,924	3,198

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$4,866,508)	\$4,921,516	\$2,193
Maintenance of Equipment (1926, \$9,529,997)	9,515,272	4,240
Traffic Expenses	765,142	341
†Transportation Expenses (1926, \$15,349,769)	14,948,944	6,662
Miscellaneous Operations and General Expenses ...	1,488,990	664

Operating Ratio 70.7% (1926, 69.6%; 1925, 71.9%; 1924, 74.1%; 1923, 75.9%).

†Taxes 1926, \$2,409,488; 1925, \$2,064,675; 1924, \$2,028,020; 1923, \$1,849,447.

†After deducting \$156,940 Transportation for Investment—Cr.

Equipment Dec. 31: Locos., 445; Pass., 827; Freight, 18,320; Car Ferries, 10.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.9%	31.1%	32.5%	32.7%	33.8%	31.4%
For Traffic, Transportation and General Expenses	38.1%	37.8%	39.0%	40.7%	40.8%	42.7%
For Fixed Charges	14.1%	14.4%	13.6%	15.0%	14.3%	14.7%
For Net Income	15.9%	16.7%	14.9%	11.6%	11.1%	11.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,370,951	1,355,267	1,278,874	1,221,774
Passenger miles per mile of road....	45,710	52,305	58,058	63,958
Miles, second and addit'l main track.	*318	308	312	319
Miles, yards and sidings	†1,456	1,411	1,387	1,370

*Including 284 miles trackage rights. †1,008 owned by P. M. Ry.

See Notes, page 357.

PITTSBURGH & WEST VIRGINIA RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	89	\$2,835,601	\$1,277,247	1925	92	\$4,856,384	\$1,898,478
1923	89	3,844,587	1,875,874	1926	92	5,156,484	3,211,193
1924	89	4,164,733	1,945,022	1927	*92	4,011,616	2,524,943

*Includes West Side Belt R.R.

STOCK OUTSTANDING

December 31, 1927

*Common\$30,235,100

*Not including \$264,900 in treasury.

Operation of West Side Belt R.R. was assumed January 1, 1921, under agreement providing for apportionment of net earnings or deficits on basis of book cost of road and equipment of each company. P. & W. V. Ry. owns entire \$1,080,000 stock of W. S. B. R. R. and held due from latter December 31, 1927, \$5,340,000 notes and advances. With public, W. S. B. R. R. had outstanding \$7,000 First 5s; also guaranteed \$3,102,000 P. T. Coal Co. bonds.

Loans and Bills Payable, December 31, 1927, \$1,720,000.

BONDS OUTSTANDING

December 31, 1927

Equipment\$3,966,000

CAPITALIZATION

	Total	Per Mile
Stock	\$30,235,100	\$328,642
Bonds	3,966,000	43,108
Total	\$34,201,100	\$371,750

Fixed Charges below include \$10,865 (1926, \$10,842) for Net Joint Facility Rents, \$270,728 (1926, \$505,439; 1925, \$397,491; 1924, \$302,617; 1923, \$253,275) for Rent of West Side Belt R. R., and \$28,408 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 92.	Total	Per Mile
Railway Operating Revenues	\$4,011,616	\$43,605
Railway Operating Expenses	2,413,547	26,234
Net Revenue from Railway Operations	1,598,069	17,371
Other Income (1926, \$2,383,525)	2,113,790	22,975
Gross Income	3,711,859	40,346
Fixed Charges (including for Taxes, \$592,726)†.....	1,186,916	12,901
*Net Income (per Common Share, \$8.35).....	2,524,943	27,445

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$419,356)	\$264,511	\$2,875
Maintenance of Equipment (1926, \$997,214)	733,564	7,973
Traffic Expenses	125,676	1,366
Transportation Expenses (1926, \$972,432)	830,855	9,032
Miscellaneous Operations and General Expenses.....	458,941	4,988

Operating Ratio 60.2% (1926, 56.3%; 1925, 61.1%; 1924, 69.7%; 1923, 78.6%).

†Taxes 1926, \$705,922; 1925, \$561,327; 1924, \$498,228; 1923, \$481,112.

*This Net Income before deducting \$1,814,106 for dividends.

Other Income above includes \$897,621 (1926, \$1,163,153; 1925, \$808,422; 1924, \$833,512) from Hire of Freight Cars, Cr. Bal., \$14,186 Net Rent from Other Equipment, \$14,898 from Miscellaneous Rents, and \$1,160,887 Income from Securities and Accounts, including \$1,086,544 (1926, \$1,097,866; 1925, \$264,642) from West Side Belt R.R. as interest on advances. Dividends from Pittsburgh Terminal Coal Co., segregated late in 1924, were \$220,000 in 1924, \$720,000 in 1923, \$560,000 in 1922, and \$480,000 in 1921.

Equipment Dec. 31: Locos., 30; Pass., 5; Freight, 5,607.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	16.3%	18.8%	26.1%	26.8%	29.8%	27.7%
For Traffic, Transportation and General Expenses	23.2%	19.7%	23.3%	24.0%	23.7%	27.4%
For Fixed Charges	19.3%	18.9%	19.0%	15.1%	13.4%	13.4%
For Net Income	41.2%	42.6%	31.6%	34.1%	33.1%	31.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,631,300	2,034,765	1,767,554	1,462,742
Passenger miles per mile of road....	33,294	30,716	34,744	39,173
Miles, second and addit'l main track.	5	5	5	5
Miles, yards and sidings.....	71	72	72	73

See Notes, page 361.

TOLEDO, PEORIA & WESTERN R. R.

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1912-13	248	\$1,392,961	†\$37,672	1922	248	\$1,716,603	\$380,153
1913-14	248	1,293,609	187,842	1923	248	1,826,216	466,431
1914-15	248	1,175,251	230,067	1924	248	1,908,795	359,310
1915-16	248	1,218,131	35,925	1925	248	1,617,067	415,653
1917	248	1,289,433	†95,896	1926	248	1,524,845	310,783
1921	248	1,692,420	507,654	1927	*240	1,766,020	†32,498

*Includes 8 miles trackage. †Net Income.

STOCK OUTSTANDING

December 31, 1927

Common\$5,000

BONDS OUTSTANDING

December 31, 1927

First Mortgage (6%).....\$1,000,000

CAPITALIZATION

	Total	Per Mile
Stock	\$5,000	\$20
Bonds	1,000,000	4,167
Total	1,005,000	4,187

Fixed Charges below include \$181,965 (1926, \$44,780) for Net Equipment Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 240.		
Railway Operating Revenues.....	\$1,766,020	\$7,353
Railway Operating Expenses.....	1,530,263	6,376
Net Revenue from Railway Operations.....	235,757	982
Other Income (1926, \$67,579).....	17,595	73
Gross Income.....	253,352	1,055
Fixed Charges (including for Taxes, \$20,000)†.....	220,854	920
Net Income	32,498	135

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$338,844).....	\$410,013	\$1,708
Maintenance of Equipment (1926, \$317,023).....	233,880	975
Traffic Expenses.....	98,949	413
Transportation Expenses (1926, \$745,424).....	731,677	3,048
Miscellaneous Operations and General Expenses.....	55,744	232

Operating Ratio 86.7% (1926, 99.9%; 1925, 104.1%; 1924, 91.9%; 1923, 108.8%).

†Taxes 1926, \$74,900; 1925, \$90,000; 1924, \$102,000; 1923, \$129,000.

Other Income above includes \$6,946 (1926, debit, \$8,325) for Net Joint Facility Rents.

Equipment Dec. 31: Locos., 31; Pass., 18; Freight, 715.

APPROPRIATION OF TOTAL INCOME

	1927
For Maintenance Expenses.....	36.2%
For Traffic, Transportation and General Expenses.....	49.6%
For Fixed Charges	12.4%
For Net Income.....	1.8%

	1927	1926	1925	1924
Ton miles per mile of road.....	482,372	294,341	290,144	312,702
Passenger miles per mile of road...	6,759	22,450	32,806	48,818
Miles, yards and sidings.....	50	..	..	..

See Notes, page 364.

WABASH RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	2,519	\$40,471,999	\$4,227,105	1924	2,490	\$65,780,929	\$5,474,949
1921	2,478	59,217,692	1,281,861	1925	2,524	69,910,301	7,946,438
1922	2,478	57,662,496	1,210,888	1926	2,524	71,693,341	8,217,488
1923	2,477	66,617,636	5,410,874	1927	*2,524	67,108,154	4,763,610

*Including 417 miles trackage rights and 78 miles leased.

*STOCK OUTSTANDING

December 31, 1927

Common	\$66,582,114
Preferred "A" (5%)	69,210,843
Preferred "B" (5%)	2,327,742

*Not including \$115,661 common, \$122,207 preferred "A" and \$134,400 preferred "B" stock in treasury. Preferred stocks are non-cumulative; preferred "A" stock is entitled to share equally in dividends after 5% is paid on common stock; preferred "B" stock is convertible at the rate of \$50 preferred "A" and \$50 common stock for each \$100 par value. †Not including \$1,037,924 pledged and \$681,518 in treasury.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$90,784,870
Equipment	20,579,620

CAPITALIZATION

	Total	Per Mile
Stock	\$138,120,699	\$54,722
Bonds	111,364,490	44,123
Total	249,485,189	98,845

Fixed Charges below include \$1,395,391 for Net Joint Facility Rents, \$1,933,814 (1926, \$1,851,695) for Hire of Freight Cars, Dr. Bal., \$364,948 for Rent for Leased Roads, \$23,370 for Miscellaneous Rents, and \$94,704 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,524.		
Railway Operating Revenues	\$67,108,154	\$26,588
Railway Operating Expenses	51,379,147	20,356
Net Revenue from Railway Operations	15,729,007	6,232
Other Income (1926, \$1,262,370)	1,981,198	784
Gross Income	17,710,205	7,016
Fixed Charges (including for Taxes, \$2,787,695)†.....	12,946,595	5,129
Net Income (per Common Share, \$1.76)	4,763,610	1,887

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$9,859,556)	\$9,340,820	\$3,700
Maintenance of Equipment (1926, \$12,457,128)	11,880,995	4,707
Traffic Expenses	1,969,161	781
†Transportation Expenses (1926, \$25,783,423)	25,591,100	10,139
Miscellaneous Operations and General Expenses.....	2,597,071	1,029

Operating Ratio 76.6% (1926, 78.2%; 1925, 78.1%; 1924, 76.5%; 1923, 78.1%).

†Taxes 1926, \$3,428,682; 1925, \$3,287,580; 1924, \$3,086,367; 1923, \$2,470,800.

†After deducting \$388,899 Transportation for Investment—Cr.

Other Income above includes \$9,243 Net Rent from Equipment other than Freight Cars, \$21,719 from Lease of Road, \$210,358 from Miscellaneous Rents, \$85,447 from Miscellaneous Non-operating Physical Property, \$352,259 Income from Securities and Accounts, and \$1,359,387 (1926, \$548,564) from Dividends.

Equipment Dec. 31: Locos., 685; Pass., 425; Freight, 26,245; Floating, 5.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.7%	30.6%	30.7%	32.4%	34.7%	34.9%
For Traffic, Transportation and General Expenses	43.6%	41.3%	41.6%	43.4%	42.6%	46.7%
For Fixed Charges.....	18.8%	16.8%	16.5%	15.9%	14.7%	16.3%
For Net Income	6.9%	11.3%	11.2%	8.3%	8.0%	2.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,016,207	2,130,125	2,073,349	1,976,350
Passenger miles per mile of road....	105,746	116,584	117,742	114,276
Miles, second and addit'l main track.	565	553	544	527
Miles, yards and sidings	1,351	1,340	1,293	1,243

See Notes, page 365.

WHEELING & LAKE ERIE RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	512	\$11,028,904	\$1,113,895	1924	512	\$18,332,401	\$1,282,744
1921	512	14,791,993	365,436	1925	512	20,395,619	3,286,279
1922	512	13,179,902	†844,439	1926	512	20,925,899	3,507,355
1923	512	19,213,668	1,545,279	1927	*512	18,129,586	2,394,833

*Including 126 miles of branches and 32 miles of trackage rights. †Deficit.

*STOCK OUTSTANDING

December 31, 1927

Common	\$33,651,300
Prior Lien (7%)	11,882,600
Preferred (6%)	10,334,958

†BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$15,000,000
Equipment	11,353,100

*In 1927 \$16,792,500 common, \$11,519,300 prior lien, and \$1,480,000 preferred stocks were purchased in substantially equal amounts by Baltimore & Ohio R.R., N. Y. Central R.R. and New York, Chicago and St. Louis R.R. The prior lien preferred stock is cumulative from November 1, 1916; see Notes for initial dividend in 1928. The preferred stock is non-cumulative; it is convertible into common stock at par. †Not including \$8,464,000 pledged and \$8,959,000 (Refunding 5s) owned unpledged.

CAPITALIZATION

	Total	Per Mile
Stock	\$55,868,858	\$109,119
Bonds	26,353,100	51,471
Total	82,221,958	160,590

Fixed Charges below include \$8,309 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 512.		
Railway Operating Revenues	\$18,129,586	\$35,409
Railway Operating Expenses	13,716,571	26,790
Net Revenue from Railway Operations	4,413,015	8,619
Other Income (1926, \$464,842)	355,209	694
Gross Income	4,768,224	9,313
Fixed Charges (including for Taxes, \$1,462,571)†.....	2,373,391	4,636
*Net Income	2,394,833	4,677

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,114,517)	\$2,375,000	\$4,639
Maintenance of Equipment (1926, \$4,816,739)	4,653,947	9,090
Traffic Expenses	419,437	819
†Transportation Expenses (1926, \$6,055,549)	5,679,752	11,093
Miscellaneous Operations and General Expenses	588,435	1,149

Operating Ratio 75.7% (1926, 71.6%; 1925, 70.6%; 1924, 78.6%; 1923, 76.8%).

†Taxes 1926, \$1,664,998; 1925, \$1,568,458; 1924, \$1,255,606; 1923, \$1,326,809.

*This Net Income before deducting \$112,062 for investment in road and equipment.

†After deducting \$4,472 Transportation for Investment—Cr.

Other Income above includes \$29,986 (1926, \$109,162; debit balances: 1925, \$46,073; 1924, \$294,944) from Hire of Freight Cars, Cr. Bal., \$63,297 (1926, \$57,513) Net Rent from Other Equipment, \$6,000 from Lease of Road, \$23,308 from Miscellaneous Rents, and \$222,948 (1926, \$259,822; 1925, \$208,903) Income from Securities and Accounts.

Equipment Dec. 31: Locos., 193; Pass., 74; Freight, 10,696

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	38.0%	37.1%	35.6%	39.3%	40.4%	40.8%
For Traffic, Transportation and General Expenses	36.2%	33.0%	34.0%	38.2%	35.7%	42.9%
For Fixed Charges	12.8%	13.5%	14.5%	15.6%	15.9%	22.6%
For Net Income	13.0%	16.4%	15.9%	6.9%	8.0%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	2,882,983	3,290,159	3,218,006	2,885,986
Passenger miles per mile of road....	24,096	29,445	34,157	42,623
Miles, second and addit'l main track.	10	10	10	10
Miles, yards and sidings.....	494	493	492	494

See Notes, page 368.

ATLANTA & WEST POINT R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	93	\$1,185,338	\$168,202	1923	93	\$2,950,513	\$349,034
1915-16	93	1,367,285	289,635	1924	93	2,939,380	456,175
1917	93	1,770,250	429,264	1925	93	3,184,981	540,246
1921	93	2,470,656	154,846	1926	93	3,173,186	322,371
1922	93	2,606,416	277,986	1927	93	3,184,475	381,177

STOCK OUTSTANDING

December 31, 1927

Common	\$2,463,600
Per Mile Operated.....	26,490

Fixed Charges below include \$152,232 (1926, \$227,182; 1925, \$82,039) for Net Joint Facility Rents, \$29,789 (1926, \$88,280; 1925, \$55,858) for Hire of Freight Cars, Dr. Bal., and \$10,720 (credit, 1926, \$2,318) Net Rent from Other Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 93.	Total	Per Mile
Railway Operating Revenues	\$3,184,475	\$34,241
Railway Operating Expenses	2,447,176	26,313
Net Revenue from Railway Operations	737,299	7,928
Other Income (1926, \$39,086)	30,417	327
Gross Income	767,716	8,255
Fixed Charges (including for Taxes, \$190,697)†.....	386,539	4,157
Net Income (per Common Share, \$15.47).....	381,177	4,098

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$405,137)	\$369,370	\$3,971
Maintenance of Equipment (1926, \$575,293)	551,899	5,934
Traffic Expenses	140,728	1,514
†Transportation Expenses (1926, \$1,119,275)	1,163,506	12,510
Miscellaneous Operations and General Expenses ...	221,675	2,384

Operating Ratio 76.9% (1926, 77.0%; 1925, 75.1%; 1924, 76.3%; 1923, 77.4%).

†Taxes 1926, \$184,790; 1925, \$190,357; 1924, \$166,254; 1923, \$171,756.

†After deducting \$2,941 Transportation for Investment—Cr.

Other Income above includes \$14,005 from Miscellaneous Rents, \$3,587 from Miscellaneous Non-operating Physical Property, \$10,825 (1926, \$16,040) Income from Securities and Accounts, and \$2,000 (1926, \$5,806) from Dividends.

Equipment Dec. 31: Locos., 24; Pass., 28; Freight, 602.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	28.6%	30.5%	27.7%	30.4%	30.7%	32.1%
For Traffic, Transportation and General Expenses	47.5%	45.5%	45.6%	44.2%	43.8%	45.3%
For Fixed Charges	12.1%	13.9%	10.1%	10.3%	14.1%	12.4%
For Net Income	11.8%	10.1%	16.6%	15.1%	11.4%	10.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,277,527	1,362,563	1,371,519	1,287,837
Passenger miles per mile of road....	222,731	245,022	265,303	266,407
Miles, second and addit'l main track.	19	19	19	19

See Notes, page 370.

ATLANTA, BIRMINGHAM & COAST R. R.

(Reorganized in 1927. Controlled by Atlantic Coast Line R.R.)

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1922	640	\$4,017,228	\$693,070	1925	640	\$5,448,188	\$304,951
1923	640	4,638,689	396,752	1926	640	5,726,345	126,242
1924	640	4,810,482	*106,091	1927	†640	5,258,713	19,773

*Before adding \$138,810 debit to Miscellaneous Income, presumably representing at least in part an adjustment relating to federal operation or guaranty. †Includes 3 miles trackage.

STOCK OUTSTANDING

December 31, 1927

*Common (no par).....150,000 shares

†Preferred (5%)\$5,180,300

*Owned all by Atlantic Coast Line R. R. †Non-voting, cumulative, guaranteed by Atlantic Coast Line R. R. as to dividends from January 1, 1928. This stock was distributed to holders of First Mortgage and Income bonds of the A., B. & A. Ry. on basis of \$60 preferred stock for \$100 bonds.

Fixed Charges below include \$12,152 for Net Joint Facility Rents, and \$192,056 for Net Hire of Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 640.	Total	Per Mile
Railway Operating Revenues.....	\$5,258,713	\$8,216
Railway Operating Expenses.....	4,943,851	7,724
Net Revenue from Railway Operations.....	314,862	492
Other Income (1926, \$67,014).....	54,639	85
Gross Income	369,501	577
Fixed Charges (including for Taxes, \$174,749)†.....	389,274	608
Net Deficit	19,773	31

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,329,382).....	\$1,245,069	\$1,945
Maintenance of Equipment (1926, \$1,050,887).....	1,017,424	1,589
Traffic Expenses	337,249	523
Transportation Expenses (1926, \$2,121,232).....	1,979,332	3,093
Miscellaneous Operations and General Expenses.....	364,777	569

Operating Ratio 94.0% (1926, 90.9%; 1925, 92.3%; 1924, 91.2%; 1923, 98.5%).

†Taxes 1926, \$169,249; 1925, \$162,509; 1924, \$154,584; 1923, \$152,093.

Other Income above includes \$12,270 from Miscellaneous Rents, \$38,004 from Miscellaneous Non-operating Physical Property and \$4,459 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 80; Pass., 55; Freight, 1,996.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses.....	42.5%	41.1%	44.7%	39.6%	40.6%	43.7%
For Traffic, Transportation and General Expenses	50.4%	48.8%	46.3%	49.8%	56.3%	59.9%
For Fixed Charges.....	7.3%	12.3%	14.6%	12.8%	11.5%	13.3%
For Net Income.....	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	596,601	663,134	641,561	560,101
Passenger miles per mile of road.....	20,306	24,725	25,570	26,053
Miles, second and add'l main track.....	4	4	4	4
Miles, yards and sidings.....	201	201	196	193

See Notes, page 370.

ATLANTIC COAST LINE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	4,611	\$36,123,072	\$7,889,203	1922	4,852	\$70,823,345	\$11,604,074
1913-14	4,646	36,832,780	7,338,846	1923	4,861	80,882,310	12,797,073
1914-15	4,689	31,536,475	4,313,281	1924	4,866	81,785,921	13,275,845
1915-16	4,703	34,445,110	7,755,536	1925	4,890	93,997,697	18,483,142
1917	4,781	44,063,331	10,834,091	1926	4,931	97,086,517	16,519,873
1921	4,893	66,730,763	1,790,569	1927	5,065	80,426,296	9,855,908

STOCK OUTSTANDING

December 31, 1927

Common	\$81,342,700
*Class "A" R. & P. R.R..	1,000,000
Preferred (5%)	196,700

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds	\$108,989,000
Equipment	10,830,400
L. & N. Coll. Bonds....	35,000,000
Other	4,583,930

*Participates in dividends equally with the common stock. †Not including \$74,993,244 bonds (\$74,605,244 General Unified 4½s) owned unpledged and \$575,000 bonds pledged under Georgia R.R. lease.

CAPITALIZATION

	Total	Per Mile
Stock	\$82,539,400	\$16,296
Bonds	159,403,830	31,471
Total	241,942,730	47,767

Fixed Charges below include \$42,688 for Net Joint Facility Rents, \$71,676 for Rent for Leased Roads, and \$282,892 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 5,065.		
Railway Operating Revenues	\$80,426,296	\$15,879
Railway Operating Expenses	64,330,235	12,701
Net Revenue from Railway Operations	16,096,061	3,178
Other Income (1926, \$6,391,289)	7,359,356	1,453
Gross Income	23,455,417	4,631
Fixed Charges (including for Taxes, \$6,050,000)†.....	13,599,509	2,685
*Net Income (per Common Share, \$11.96).....	9,855,908	1,946

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$13,018,939)	\$13,229,875	\$2,612
Maintenance of Equipment (1926, \$18,518,916)	16,842,646	3,326
Traffic Expenses	1,983,340	391
†Transportation Expenses (1926, \$34,401,544)	29,426,127	5,810
Miscellaneous Operations and General Expenses.....	2,848,247	562

Operating Ratio 80.0% (1926, 72.8%; 1925, 69.1%; 1924, 73.8%; 1923, 74.0%).

†Taxes 1926, \$6,725,000; 1925, \$6,600,000; 1924, \$5,625,000; 1923, \$5,425,000.

*This Net Income before deducting \$22,759 for sinking and other reserve funds and \$352,979 for investment in physical property.

†After deducting \$118,865 Transportation for Investment—Cr.

Other Income above includes \$326,527 (debit balances: 1926, \$2,015,237; 1925, \$2,187,549; 1924, \$500,193) from Hire of Equipment Cr. Bal., \$235,758 from Miscellaneous Rents, \$116,261 from Miscellaneous Non-operating Physical Property, \$750,000 (1926, none) Separately Operated Properties—Profit, \$1,262,529 (1926, \$1,096,429) Income from Securities and Accounts, and \$4,636,986 (1926, \$4,866,998; 1925, \$4,086,675; 1924, \$3,897,690; 1923, \$3,222,087) from Dividends (mostly from \$59,670,000 Louisville & Nashville R.R. stock owned). In company's statement \$2,470,281 appropriation for extra 3% dividends was shown as deduction from Non-operating Income.

Equipment Dec. 31: Locom., 1,042; Pass., 814; Freight, 33,956; Floating, 23.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.3%	30.5%	28.5%	31.6%	32.2%	30.1%
For Other Oper. Exp.....	39.0%	37.8%	36.7%	37.7%	37.8%	38.8%
For Fixed Charges	15.5%	15.7%	16.2%	15.5%	15.1%	15.7%
For Net Income	11.2%	16.0%	18.6%	15.2%	14.9%	15.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	747,717	963,569	907,958	773,463
Passenger miles per mile of road....	85,889	123,900	130,354	105,270
Miles, second and addit'l main track.	690	679	604	476
Miles, yards and sidings.....	1,488	1,354	1,322	....

See Notes, page 372.

CENTRAL OF GEORGIA RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	1,924	\$13,854,872	\$1,223,464	1922	1,919	\$23,286,737	\$2,065,812
1913-14	1,924	14,210,743	1,091,042	1923	1,921	26,198,846	3,656,354
1914-15	1,924	12,108,184	1,202,005	1924	1,921	27,173,209	2,236,294
1915-16	1,924	12,567,618	1,921,313	1925	1,920	30,229,408	3,105,013
1917	1,919	16,024,537	2,640,628	1926	1,915	31,825,369	3,675,893
1921	1,914	22,057,499	†979,814	1927	*1,912	27,641,310	2,216,159

*Including 476 miles leased and 17 miles trackage rights. †Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common\$20,000,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$51,728,350

Equipment 7,672,327

†Other 325,000

*Owned all by Illinois Central R.R. In 1923 \$15,000,000 preferred was surrendered in exchange for an equal amount of common stock. †Including \$8,000,000 secured 6s due June 1, 1929 and \$275,350 income bonds. Not including \$11,157,000 bonds pledged and \$2,450 unpledged in treasury. ‡Non-negotiable debt.

Loans and Bills Payable, December 31, 1927, \$65,961.

CAPITALIZATION

	Total	Per Mile
Stock	\$20,000,000	\$10,460
Bonds	59,725,677	31,237
Total	79,725,677	41,697

Fixed Charges below include \$89,764 for Net Joint Facility Rents, \$6,521 Net Rent for Other Equipment, \$355,627 for Rent for Leased Roads, \$139,498 for Miscellaneous Rents, and \$87,162 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,912.		
Railway Operating Revenues	\$27,641,310	\$14,456
Railway Operating Expenses.....	20,945,626	10,954
Net Revenue from Railway Operations.....	6,695,684	3,502
Other Income (1926, \$1,435,276).....	880,164	460
Gross Income	7,575,848	3,962
Fixed Charges (including for Taxes, \$1,555,182)†.....	5,359,689	2,803
Net Income (per Common Share, \$11.08).....	2,216,159	1,159

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$4,496,326).....	\$3,586,921	\$1,876
Maintenance of Equipment (1926, \$5,498,449).....	4,934,292	2,580
Traffic Expenses	899,806	470
†Transportation Expenses (1926, \$11,413,472).....	10,155,409	5,312
Miscellaneous Operations and General Expenses.....	1,369,198	716

Operating Ratio 75.8% (1926, 74.7%; 1925, 75.2%; 1924, 77.5%; 1923, 80.7%).

†Taxes 1926, \$1,519,852; 1925, \$1,339,921; 1924, \$1,844,503; 1923, \$1,177,929.

†After deducting \$66,814 Transportation for Investment—Cr.

Other Income above includes \$18,946 (debit balances: 1926, \$366,758; 1925, \$621,898) from Hire of Freight Cars, Cr. Bal., \$45,359 from Lease of Road, \$112,270 from Miscellaneous Rents, \$3,285 from Miscellaneous Non-operating Physical Property, \$198,849 Income from Securities and Accounts, and \$491,433, including \$319,840 from Ocean Steamship Co. of Savannah, from Dividends.

Equipment Dec. 31; Locos., 849; Pass., 270; Freight, 9,668.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	29.8%	30.0%	31.4%	32.2%	30.9%	30.1%
For Other Oper. Exp.....	43.6%	41.4%	41.1%	42.5%	41.4%	43.1%
For Fixed Charges.....	18.8%	17.5%	17.6%	17.4%	15.2%	18.4%
For Net Income.....	7.8%	11.1%	9.9%	7.9%	12.5%	8.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	914,046	1,122,372	968,188	849,694
Passenger miles per mile of road....	74,848	97,645	100,232	88,924
Miles, second and addit'l main track..	91	89	86	76
Miles, yards and sidings.....	834	818	835	818

See Notes, page 379.

CHARLESTON & WESTERN CAROLINA RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	341	\$1,934,200	\$363,496	1921	341	\$3,281,933	†\$569,135
1911-12	341	1,933,896	113,467	1922	341	3,221,243	292,461
1912-13	341	1,895,999	177,805	1923	341	3,878,505	196,871
1913-14	341	2,095,812	203,860	1924	341	3,908,781	282,627
1914-15	342	1,765,636	71,872	1925	341	4,118,309	478,945
1915-16	342	1,885,624	339,552	1926	341	3,862,901	335,599
1917	341	2,401,443	493,538	1927	*341	3,525,848	232,420

*Does not include 1½ miles trackage. †Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common\$1,200,000

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$5,700,000
Equipment 436,000

*Owned entirely by Atlantic Coast Line Co. of Connecticut. †Not including \$1,544,294 6% and \$211,734 5% First Consolidated Mortgage bonds in treasury.

CAPITALIZATION

	Total	Per Mile
Stock	\$1,200,000	\$3,519
Bonds	6,136,000	17,994
Total	7,336,000	21,513

Fixed Charges below include \$70,842 (1926, \$99,080; 1925, \$167,667) for Net Hire of Equipment, and \$8,272 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 341.		
Railway Operating Revenues	\$3,525,848	\$10,339
Railway Operating Expenses	2,728,693	8,002
Net Revenue from Railway Operations	797,155	2,337
Other Income (1927, \$77,174)	79,093	232
Gross Income	876,248	2,569
Fixed Charges (including for Taxes, \$245,000)†.....	643,828	1,888
*Net Income (per Common Share, \$19.37)	232,420	681

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$674,725)	\$662,780	\$1,943
Maintenance of Equipment (1926, \$568,820)	540,272	1,585
Traffic Expenses	89,063	262
†Transportation Expenses (1926, \$1,491,553).....	1,353,337	3,968
Miscellaneous Operations and General Expenses	83,241	244

Operating Ratio 77.4% (1926, 75.2%; 1925, 71.8%; 1924, 76.8%; 1923, 78.0%).

†Taxes 1926, \$272,055; 1925, \$255,000; 1924, \$227,500; 1923, \$210,000.

*This Net Income before deducting \$11,301 appropriated for investment in physical property.

†After deducting \$208 Transportation for Investment—Cr.

Other Income above includes \$24,874 (1926, \$21,851; 1925, \$20,501) from Net Joint Facility Rents, \$16,803 from Miscellaneous Rents, \$9,476 from Miscellaneous Non-operating Physical Property, and \$27,940 (1926, \$28,488) Income from Securities and Accounts.

Equipment Dec. 31: Locos., 60; Pass., 41; Freight, 1,103.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.4%	31.6%	28.8%	32.0%	32.3%	29.7%
For Traffic, Transportation and General Expenses	42.4%	42.2%	41.8%	43.6%	44.2%	44.2%
For Fixed Charges	17.8%	17.7%	18.0%	17.3%	18.5%	17.4%
For Net Income	6.4%	8.5%	11.4%	7.1%	5.0%	8.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	884,888	976,921	997,087	890,801
Passenger miles per mile of road....	17,879	24,611	27,406	31,771
Miles, yards and sidings	104	103	99	98

See Notes, page 381.

CHESAPEAKE & OHIO RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1913-12	2,219	\$85,098,278	\$2,298,003	1922	2,549	\$82,511,082	\$2,288,079
1913-14	2,348	88,000,082	2,971,218	1923	2,808	101,975,797	2,979,481
1914-15	2,309	89,644,087	2,952,587	1924	2,576	108,082,448	11,101,071
1915-16	2,375	91,239,012	2,879,216	1925	2,615	122,124,388	20,122,249
1917	2,412	94,842,794	7,000,278	1926	2,616	122,974,009	20,204,889
1921	2,546	92,097,968	4,192,601	1927	2,679	122,642,174	22,607,215

*Including 304 miles used jointly.

STOCK OUTSTANDING

December 31, 1927

*Common	\$117,000,000
†Preferred (6½%)	1,184,500

BONDS OUTSTANDING

December 31, 1927

*Fixed Interest	\$122,481,000
Equipment	20,001,400
Notes to Govt. (6½%)	17,322,000

*Including \$14,308,111 issued in 1926 in conversion for \$14,088,800 6½% bonds and \$10,154,000 in 1926 and \$780,000 in 1927 at par for preferred stock. Prior to 1926, \$27,448,861 stock was exchanged for \$24,440,800 bonds and \$461,000 for preferred stock. See Notes regarding proposal to sell additional stock, also regarding ownership. †Cumulative; convertible into common stock at par; redeemable at 110 after January 1, 1928. ‡Net including \$25,044,000 bonds owned and pledged and \$51,080,000 owned unpledged and \$2,728,037 proportion of bonds guaranteed.

CAPITALIZATION

	Total	Per Mile
Stock	\$118,184,500	\$44.614
Bonds	122,481,400	70.701
Total	\$240,665,900	115.315

Fixed Charges below include \$1,222,700 for Net Joint Facility Rents, and \$860,287 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1927		60.679
Railway Operating Revenues	\$122,642,174	\$20.049
Railway Operating Expenses	29,722,087	48.867
Net Revenue from Railway Operations	92,920,087	15.162
Other Income (1928, \$1,015,700)	5,108,449	8.406
Gross Income	98,028,536	16.077
Fixed Charges (including for Taxes, \$1,764,280)†	19,800,271	32.464
*Net Income (per Common Share, \$4.25)	\$2,607,215	4.282

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1928, \$19,039,970)	\$29,124,004	47.838
Maintenance of Equipment (1928, \$20,097,270)	29,798,173	48.941
Traffic Expenses	1,200,004	1.976
†Transportation Expenses (1928, \$26,378,200)	26,501,173	43.662
Miscellaneous Operations and General Expenses	2,772,284	4.569

Operating Ratio 67.4% (1926, 67.0%; 1925, 72.2%; 1924, 76.6%; 1923, 77.6%; 1922, 78.4%; 1921, 84.0%; 1920, 84.7%; 1919, 84.7%; 1918, 84.7%; 1917, 84.7%; 1916, 84.7%; 1915, 84.7%; 1914, 84.7%; 1913, 84.7%; 1912, 84.7%; 1911, 84.7%; 1910, 84.7%; 1909, 84.7%; 1908, 84.7%; 1907, 84.7%; 1906, 84.7%; 1905, 84.7%; 1904, 84.7%; 1903, 84.7%; 1902, 84.7%; 1901, 84.7%; 1900, 84.7%; 1899, 84.7%; 1898, 84.7%; 1897, 84.7%; 1896, 84.7%; 1895, 84.7%; 1894, 84.7%; 1893, 84.7%; 1892, 84.7%; 1891, 84.7%; 1890, 84.7%; 1889, 84.7%; 1888, 84.7%; 1887, 84.7%; 1886, 84.7%; 1885, 84.7%; 1884, 84.7%; 1883, 84.7%; 1882, 84.7%; 1881, 84.7%; 1880, 84.7%; 1879, 84.7%; 1878, 84.7%; 1877, 84.7%; 1876, 84.7%; 1875, 84.7%; 1874, 84.7%; 1873, 84.7%; 1872, 84.7%; 1871, 84.7%; 1870, 84.7%; 1869, 84.7%; 1868, 84.7%; 1867, 84.7%; 1866, 84.7%; 1865, 84.7%; 1864, 84.7%; 1863, 84.7%; 1862, 84.7%; 1861, 84.7%; 1860, 84.7%; 1859, 84.7%; 1858, 84.7%; 1857, 84.7%; 1856, 84.7%; 1855, 84.7%; 1854, 84.7%; 1853, 84.7%; 1852, 84.7%; 1851, 84.7%; 1850, 84.7%; 1849, 84.7%; 1848, 84.7%; 1847, 84.7%; 1846, 84.7%; 1845, 84.7%; 1844, 84.7%; 1843, 84.7%; 1842, 84.7%; 1841, 84.7%; 1840, 84.7%; 1839, 84.7%; 1838, 84.7%; 1837, 84.7%; 1836, 84.7%; 1835, 84.7%; 1834, 84.7%; 1833, 84.7%; 1832, 84.7%; 1831, 84.7%; 1830, 84.7%; 1829, 84.7%; 1828, 84.7%; 1827, 84.7%; 1826, 84.7%; 1825, 84.7%; 1824, 84.7%; 1823, 84.7%; 1822, 84.7%; 1821, 84.7%; 1820, 84.7%; 1819, 84.7%; 1818, 84.7%; 1817, 84.7%; 1816, 84.7%; 1815, 84.7%; 1814, 84.7%; 1813, 84.7%; 1812, 84.7%; 1811, 84.7%; 1810, 84.7%; 1809, 84.7%; 1808, 84.7%; 1807, 84.7%; 1806, 84.7%; 1805, 84.7%; 1804, 84.7%; 1803, 84.7%; 1802, 84.7%; 1801, 84.7%; 1800, 84.7%; 1799, 84.7%; 1798, 84.7%; 1797, 84.7%; 1796, 84.7%; 1795, 84.7%; 1794, 84.7%; 1793, 84.7%; 1792, 84.7%; 1791, 84.7%; 1790, 84.7%; 1789, 84.7%; 1788, 84.7%; 1787, 84.7%; 1786, 84.7%; 1785, 84.7%; 1784, 84.7%; 1783, 84.7%; 1782, 84.7%; 1781, 84.7%; 1780, 84.7%; 1779, 84.7%; 1778, 84.7%; 1777, 84.7%; 1776, 84.7%; 1775, 84.7%; 1774, 84.7%; 1773, 84.7%; 1772, 84.7%; 1771, 84.7%; 1770, 84.7%; 1769, 84.7%; 1768, 84.7%; 1767, 84.7%; 1766, 84.7%; 1765, 84.7%; 1764, 84.7%; 1763, 84.7%; 1762, 84.7%; 1761, 84.7%; 1760, 84.7%; 1759, 84.7%; 1758, 84.7%; 1757, 84.7%; 1756, 84.7%; 1755, 84.7%; 1754, 84.7%; 1753, 84.7%; 1752, 84.7%; 1751, 84.7%; 1750, 84.7%; 1749, 84.7%; 1748, 84.7%; 1747, 84.7%; 1746, 84.7%; 1745, 84.7%; 1744, 84.7%; 1743, 84.7%; 1742, 84.7%; 1741, 84.7%; 1740, 84.7%; 1739, 84.7%; 1738, 84.7%; 1737, 84.7%; 1736, 84.7%; 1735, 84.7%; 1734, 84.7%; 1733, 84.7%; 1732, 84.7%; 1731, 84.7%; 1730, 84.7%; 1729, 84.7%; 1728, 84.7%; 1727, 84.7%; 1726, 84.7%; 1725, 84.7%; 1724, 84.7%; 1723, 84.7%; 1722, 84.7%; 1721, 84.7%; 1720, 84.7%; 1719, 84.7%; 1718, 84.7%; 1717, 84.7%; 1716, 84.7%; 1715, 84.7%; 1714, 84.7%; 1713, 84.7%; 1712, 84.7%; 1711, 84.7%; 1710, 84.7%; 1709, 84.7%; 1708, 84.7%; 1707, 84.7%; 1706, 84.7%; 1705, 84.7%; 1704, 84.7%; 1703, 84.7%; 1702, 84.7%; 1701, 84.7%; 1700, 84.7%; 1699, 84.7%; 1698, 84.7%; 1697, 84.7%; 1696, 84.7%; 1695, 84.7%; 1694, 84.7%; 1693, 84.7%; 1692, 84.7%; 1691, 84.7%; 1690, 84.7%; 1689, 84.7%; 1688, 84.7%; 1687, 84.7%; 1686, 84.7%; 1685, 84.7%; 1684, 84.7%; 1683, 84.7%; 1682, 84.7%; 1681, 84.7%; 1680, 84.7%; 1679, 84.7%; 1678, 84.7%; 1677, 84.7%; 1676, 84.7%; 1675, 84.7%; 1674, 84.7%; 1673, 84.7%; 1672, 84.7%; 1671, 84.7%; 1670, 84.7%; 1669, 84.7%; 1668, 84.7%; 1667, 84.7%; 1666, 84.7%; 1665, 84.7%; 1664, 84.7%; 1663, 84.7%; 1662, 84.7%; 1661, 84.7%; 1660, 84.7%; 1659, 84.7%; 1658, 84.7%; 1657, 84.7%; 1656, 84.7%; 1655, 84.7%; 1654, 84.7%; 1653, 84.7%; 1652, 84.7%; 1651, 84.7%; 1650, 84.7%; 1649, 84.7%; 1648, 84.7%; 1647, 84.7%; 1646, 84.7%; 1645, 84.7%; 1644, 84.7%; 1643, 84.7%; 1642, 84.7%; 1641, 84.7%; 1640, 84.7%; 1639, 84.7%; 1638, 84.7%; 1637, 84.7%; 1636, 84.7%; 1635, 84.7%; 1634, 84.7%; 1633, 84.7%; 1632, 84.7%; 1631, 84.7%; 1630, 84.7%; 1629, 84.7%; 1628, 84.7%; 1627, 84.7%; 1626, 84.7%; 1625, 84.7%; 1624, 84.7%; 1623, 84.7%; 1622, 84.7%; 1621, 84.7%; 1620, 84.7%; 1619, 84.7%; 1618, 84.7%; 1617, 84.7%; 1616, 84.7%; 1615, 84.7%; 1614, 84.7%; 1613, 84.7%; 1612, 84.7%; 1611, 84.7%; 1610, 84.7%; 1609, 84.7%; 1608, 84.7%; 1607, 84.7%; 1606, 84.7%; 1605, 84.7%; 1604, 84.7%; 1603, 84.7%; 1602, 84.7%; 1601, 84.7%; 1600, 84.7%; 1599, 84.7%; 1598, 84.7%; 1597, 84.7%; 1596, 84.7%; 1595, 84.7%; 1594, 84.7%; 1593, 84.7%; 1592, 84.7%; 1591, 84.7%; 1590, 84.7%; 1589, 84.7%; 1588, 84.7%; 1587, 84.7%; 1586, 84.7%; 1585, 84.7%; 1584, 84.7%; 1583, 84.7%; 1582, 84.7%; 1581, 84.7%; 1580, 84.7%; 1579, 84.7%; 1578, 84.7%; 1577, 84.7%; 1576, 84.7%; 1575, 84.7%; 1574, 84.7%; 1573, 84.7%; 1572, 84.7%; 1571, 84.7%; 1570, 84.7%; 1569, 84.7%; 1568, 84.7%; 1567, 84.7%; 1566, 84.7%; 1565, 84.7%; 1564, 84.7%; 1563, 84.7%; 1562, 84.7%; 1561, 84.7%; 1560, 84.7%; 1559, 84.7%; 1558, 84.7%; 1557, 84.7%; 1556, 84.7%; 1555, 84.7%; 1554, 84.7%; 1553, 84.7%; 1552, 84.7%; 1551, 84.7%; 1550, 84.7%; 1549, 84.7%; 1548, 84.7%; 1547, 84.7%; 1546, 84.7%; 1545, 84.7%; 1544, 84.7%; 1543, 84.7%; 1542, 84.7%; 1541, 84.7%; 1540, 84.7%; 1539, 84.7%; 1538, 84.7%; 1537, 84.7%; 1536, 84.7%; 1535, 84.7%; 1534, 84.7%; 1533, 84.7%; 1532, 84.7%; 1531, 84.7%; 1530, 84.7%; 1529, 84.7%; 1528, 84.7%; 1527, 84.7%; 1526, 84.7%; 1525, 84.7%; 1524, 84.7%; 1523, 84.7%; 1522, 84.7%; 1521, 84.7%; 1520, 84.7%; 1519, 84.7%; 1518, 84.7%; 1517, 84.7%; 1516, 84.7%; 1515, 84.7%; 1514, 84.7%; 1513, 84.7%; 1512, 84.7%; 1511, 84.7%; 1510, 84.7%; 1509, 84.7%; 1508, 84.7%; 1507, 84.7%; 1506, 84.7%; 1505, 84.7%; 1504, 84.7%; 1503, 84.7%; 1502, 84.7%; 1501, 84.7%; 1500, 84.7%; 1499, 84.7%; 1498, 84.7%; 1497, 84.7%; 1496, 84.7%; 1495, 84.7%; 1494, 84.7%; 1493, 84.7%; 1492, 84.7%; 1491, 84.7%; 1490, 84.7%; 1489, 84.7%; 1488, 84.7%; 1487, 84.7%; 1486, 84.7%; 1485, 84.7%; 1484, 84.7%; 1483, 84.7%; 1482, 84.7%; 1481, 84.7%; 1480, 84.7%; 1479, 84.7%; 1478, 84.7%; 1477, 84.7%; 1476, 84.7%; 1475, 84.7%; 1474, 84.7%; 1473, 84.7%; 1472, 84.7%; 1471, 84.7%; 1470, 84.7%; 1469, 84.7%; 1468, 84.7%; 1467, 84.7%; 1466, 84.7%; 1465, 84.7%; 1464, 84.7%; 1463, 84.7%; 1462, 84.7%; 1461, 84.7%; 1460, 84.7%; 1459, 84.7%; 1458, 84.7%; 1457, 84.7%; 1456, 84.7%; 1455, 84.7%; 1454, 84.7%; 1453, 84.7%; 1452, 84.7%; 1451, 84.7%; 1450, 84.7%; 1449, 84.7%; 1448, 84.7%; 1447, 84.7%; 1446, 84.7%; 1445, 84.7%; 1444, 84.7%; 1443, 84.7%; 1442, 84.7%; 1441, 84.7%; 1440, 84.7%; 1439, 84.7%; 1438, 84.7%; 1437, 84.7%; 1436, 84.7%; 1435, 84.7%; 1434, 84.7%; 1433, 84.7%; 1432, 84.7%; 1431, 84.7%; 1430, 84.7%; 1429, 84.7%; 1428, 84.7%; 1427, 84.7%; 1426, 84.7%; 1425, 84.7%; 1424, 84.7%; 1423, 84.7%; 1422, 84.7%; 1421, 84.7%; 1420, 84.7%; 1419, 84.7%; 1418, 84.7%; 1417, 84.7%; 1416, 84.7%; 1415, 84.7%; 1414, 84.7%; 1413, 84.7%; 1412, 84.7%; 1411, 84.7%; 1410, 84.7%; 1409, 84.7%; 1408, 84.7%; 1407, 84.7%; 1406, 84.7%; 1405, 84.7%; 1404, 84.7%; 1403, 84.7%; 1402, 84.7%; 1401, 84.7%; 1400, 84.7%; 1399, 84.7%; 1398, 84.7%; 1397, 84.7%; 1396, 84.7%; 1395, 84.7%; 1394, 84.7%; 1393, 84.7%; 1392, 84.7%; 1391, 84.7%; 1390, 84.7%; 1389, 84.7%; 1388, 84.7%; 1387, 84.7%; 1386, 84.7%; 1385, 84.7%; 1384, 84.7%; 1383, 84.7%; 1382, 84.7%; 1381, 84.7%; 1380, 84.7%; 1379, 84.7%; 1378, 84.7%; 1377, 84.7%; 1376, 84.7%; 1375, 84.7%; 1374, 84.7%; 1373, 84.7%; 1372, 84.7%; 1371, 84.7%; 1370, 84.7%; 1369, 84.7%; 1368, 84.7%; 1367, 84.7%; 1366, 84.7%; 1365, 84.7%; 1364, 84.7%; 1363, 84.7%; 1362, 84.7%; 1361, 84.7%; 1360, 84.7%; 1359, 84.7%; 1358, 84.7%; 1357, 84.7%; 1356, 84.7%; 1355, 84.7%; 1354, 84.7%; 1353, 84.7%; 1352, 84.7%; 1351, 84.7%; 1350, 84.7%; 1349, 84.7%; 1348, 84.7%; 1347, 84.7%; 1346, 84.7%; 1345, 84.7%; 1344, 84.7%; 1343, 84.7%; 1342, 84.7%; 1341, 84.7%; 1340, 84.7%; 1339, 84.7%; 1338, 84.7%; 1337, 84.7%; 1336, 84.7%; 1335, 84.7%; 1334, 84.7%; 1333, 84.7%; 1332, 84.7%; 1331, 84.7%; 1330, 84.7%; 1329, 84.7%; 1328, 84.7%; 1327, 84.7%; 1326, 84.7%; 1325, 84.7%; 1324, 84.7%; 1323, 84.7%; 1322, 84.7%; 1321, 84.7%; 1320, 84.7%; 1319, 84.7%; 1318, 84.7%; 1317, 84.7%; 1316, 84.7%; 1315, 84.7%; 1314, 84.7%; 1313, 84.7%; 1312, 84.7%; 1311, 84.7%; 1310, 84.7%; 1309, 84.7%; 1308, 84.7%; 1307, 84.7%; 1306, 84.7%; 1305, 84.7%; 1304, 84.7%; 1303, 84.7%; 1302, 84.7%; 1301, 84.7%; 1300, 84.7%; 1299, 84.7%; 1298, 84.7%; 1297, 84.7%; 1296, 84.7%; 1295, 84.7%; 1294, 84.7%; 1293, 84.7%; 1292, 84.7%; 1291, 84.7%; 1290, 84.7%; 1289, 84.7%; 1288, 84.7%; 1287, 84.7%; 1286, 84.7%; 1285, 84.7%; 1284, 84.7%; 1283, 84.7%; 1282, 84.7%; 1281, 84.7%; 1280, 84.7%; 1279, 84.7%; 1278, 84.7%; 1277, 84.7%; 1276, 84.7%; 1275, 84.7%; 1274, 84.7%; 1273, 84.7%; 1272, 84.7%; 1271, 84.7%; 1270, 84.7%; 1269, 84.7%; 1268, 84.7%; 1267, 84.7%; 1266, 84.7%; 1265, 84.7%; 1264, 84.7%; 1263, 84.7%; 1262, 84.7%; 1261, 84.7%; 1260, 84.7%; 1259, 84.7%; 1258, 84.7%; 1257, 84.7%; 1256, 84.7%; 1255, 84.7%; 1254, 84.7%; 1253, 84.7%; 1252, 84.7%; 1251, 84.7%; 1250, 84.7%; 1249, 84.7%; 1248, 84.7%; 1247, 84.7%; 1246, 84.7%; 1245, 84.7%; 1244, 84.7%; 1243, 84.7%; 1242, 84.7%; 1241, 84.7%; 1240, 84.7%; 1239, 84.7%; 1238, 84.7%; 1237, 84.7%; 1236, 84.7%; 1235, 84.7%; 1234, 84.7%; 1233, 84.7%; 1232, 84.7%; 1231, 84.7%; 1230, 84.7%; 1229, 84.7%; 1228, 84.7%; 1227, 84.7%; 1226, 84.7%; 1225, 84.7%; 1224, 84.7%; 1223, 84.7%; 1222, 84.7%; 1221, 84.7%; 1220, 84.7%; 1219, 84.7%; 1218, 84.7%; 1217, 84.7%; 1216, 84.7%; 1215, 84.7%; 1214, 84.7%; 1213, 84.7%; 1212, 84.7%; 1211, 84.7%; 1210, 84.7%; 1209, 84.7%; 1208, 84.7%; 1207, 84.7%; 1206, 84.7%; 1205, 84.7%; 1204, 84.7%; 1203, 84.7%; 1202, 84.7%; 1201, 84.7%; 1200, 84.7%; 1199, 84.7%; 1198, 84.7%; 1197, 84.7%; 1196, 84.7%; 1195, 84.7%; 1194, 84.7%; 1193, 84.7%; 1192, 84.7%; 1191, 84.7%; 1190, 84.7%; 1189, 84.7%; 1188, 84.7%; 1187, 84.7%; 1186, 84.7%; 1185, 84.7%; 1184, 84.7%; 1183, 84.7%; 1182, 84.7%; 1181, 84.7%; 1180, 84.7%; 1179, 84.7%; 1178, 84.7%; 1177, 84.7%; 1176, 84.7%; 1175, 84.7%; 1174, 84.7%; 1173, 84.7%; 1172, 84.7%; 1171, 84.7%; 1170, 84.7%; 1169, 84.7%; 1168, 84.7%; 1167, 84.7%; 1166, 84.7%; 1165, 84.7%; 1164, 84.7%; 1163, 84.7%; 1162, 84.7%; 1161, 84.7%; 1160, 84.7%; 1159, 84.7%; 1158, 84.7%; 1157, 84.7%; 1156, 84.7%; 1155, 84.7%; 1154, 84.7%; 1153, 84.7%; 1152, 84.7%; 1151, 84.7%; 1150, 84.7%; 1149, 84.7%; 1148, 84.7%; 1147, 84.7%; 1146, 84.7%; 1145, 84.7%; 1144, 84.7%; 1143, 84.7%; 1142, 84.7%; 1141, 84.7%; 1140, 84.7%; 1139, 84.7%; 1138, 84.7%; 1137, 84.7%; 1136, 84.7%; 1135, 84.7%; 1134, 84.7%; 1133, 84.7%; 1132, 84.7%; 1131, 84.7%; 1130, 84.7%; 1129, 84.7%; 1128, 84.7%; 1127, 84.7%; 1126, 84.7%; 1125, 84.7%; 1124, 84.7%; 1123, 84.7%; 1122, 84.7%; 1121, 84.7%; 1120, 84.7%; 1119, 84.7%; 1118, 84.

CLINCHFIELD R. R.

(Carolina, Clinchfield & Ohio Ry. Operated under Lease from December 1, 1924, by Atlantic Coast Line R. R. and Louisville & Nashville R. R.)

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1917	291	\$4,285,390	\$899,794	1924	309	\$8,692,524	\$1,316,882
1921	291	7,464,112	986,428	1925	309	8,759,853	1,294,285
1922	299	7,608,602	1,487,367	1926	309	8,282,199	1,372,980
1923	309	9,257,819	1,809,878	1927	†309	7,920,044	992,448

*Years 1921 to 1924 inclusive, before deducting interest on income debentures issued 1920 and retired 1924; years beginning 1925, after deducting guaranteed dividend on stock. †Including 22 miles trackage.

STOCK OUTSTANDING

December 31, 1927

*Common\$25,000,000

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds\$23,642,000
Equipment 4,237,000

*Under the lease the stock receives 8% dividends for three years beginning 1928, 4% for ten years, and 5% thereafter. †Not including \$1,055,000 in treasury and \$8,000,000 First Mortgage 5% bonds of C., C. & O. Ry. of South Carolina owned and pledged.

CAPITALIZATION

	Total	Per Mile
Stock	\$25,000,000	\$80,906
Bonds	27,879,000	90,223
Total	52,879,000	171,129

Fixed Charges below include \$21,692 for Net Joint Facility Rents, and Rental to Lessor including \$750,000 for Dividends Guaranteed.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 309.		
	Total	Per Mile
Railway Operating Revenues.....	\$7,920,044	\$25,681
Railway Operating Expenses.....	5,064,728	16,391
Net Revenue from Railway Operations.....	2,855,316	9,240
Other Income (1926, \$1,456,093).....	1,451,767	4,698
Gross Income	4,307,083	13,938
Fixed Charges (including for Taxes, \$940,000)†.....	3,314,635	10,727
*Net Income	992,448	3,211

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$870,192).....	\$964,467	\$3,121
Maintenance of Equipment (1926, \$2,134,088).....	1,965,022	6,359
Traffic Expenses	275,564	892
†Transportation Expenses (1926, \$1,599,397).....	1,625,266	5,260
Miscellaneous Operations and General Expenses.....	234,409	759

Operating Ratio 68.9% (1926, 61.8%; 1925, 65.4%; 1924, 67.9%; 1923, 71.9%).

†Taxes 1926, \$970,000; 1925, \$760,000; 1924, \$690,000; 1923, \$600,000.

*This Net Income is the amount accruing to lessees.

†After deducting \$7,410 Transportation for Investment—Cr.

Other Income above includes \$1,862,088 (1926, \$1,841,367; 1925, \$1,017,838; 1924, \$673,190) from Net Equipment Rents.

Equipment Dec. 31: Locos., 86; Pass., 38; Freight, 7,631.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.3%	30.8%	34.4%	33.7%	35.2%	29.2%
For Traffic, Transportation and General Expenses	22.7%	21.7%	22.3%	28.3%	30.3%	29.1%
For Fixed Charges.....	35.4%	33.4%	30.5%	24.2%	21.6%	25.0%
For Net Income.....	10.6%	14.1%	12.8%	13.8%	12.9%	16.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,905,386	3,006,454	3,376,351	3,498,534
Passenger miles per mile of road....	28,502	29,348	33,037	40,982
Miles, yards and sidings.....	155	157	157	166

See Notes, page 390.

FLORIDA EAST COAST RY.

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1917	765	\$8,140,167	\$2,439,361	1924	763	\$20,106,910	\$3,731,925
1921	765	13,579,109	766,705	1925	776	29,132,738	3,840,370
1922	765	13,427,625	1,991,872	1926	849	29,427,459	2,783,950
1923	765	16,023,998	2,757,673	1927	851	17,859,635	\$1,774,762

†Before deducting interest on Income bonds (exchanged for stock in 1924) when paid. *Income from Water Line (equipment sold at the end of 1916) was \$1,261,574 for the calendar year 1916. †Including 848 miles of branches and 7 miles operated under contract. ‡Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common\$37,500,000

*\$25,000,000 issued in 1924 at par for non-cumulative 5% Income bonds.

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds\$57,000,000
Equipment 7,990,000

CAPITALIZATION

	Total	Per Mile
Stock	\$37,500,000	\$44,066
Bonds	64,990,000	76,369
Total	102,490,000	120,435

Fixed Charges below include \$63,419 for Net Joint Facility Rents, \$1,210,084 (1926, \$2,183,332) for Hire of Equipment, Dr. Bal., \$8,677 for Miscellaneous Rents, and \$102,324 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 851.		
Railway Operating Revenues	\$17,859,635	\$20,967
Railway Operating Expenses	14,375,826	16,893
Net Revenue from Railway Operations	3,483,809	4,094
Other Income (1926, \$738,040)	947,266	1,113
Gross Income	4,431,075	5,207
Fixed Charges (including for Taxes, \$1,601,422)†.....	6,205,837	7,292
Net Deficit	1,774,762	2,085

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$4,904,666)	\$3,904,292	\$4,588
Maintenance of Equipment (1926, \$4,323,940)	2,938,108	3,453
Traffic Expenses	411,404	483
†Transportation Expenses (1926, \$9,623,973)	6,207,646	7,295
Miscellaneous Operations and General Expenses.....	914,376	1,074

Operating Ratio 80.5% (1926, 69.3%; 1925, 68.4%; 1924, 66.0%; 1923, 67.2%).

†Taxes 1926, \$1,569,935; 1925, \$1,508,579; 1924, \$1,818,892; 1923, \$1,352,468.

†After deducting \$177,722 Transportation for Investment—Cr.

Equipment Dec. 31: Locos., 249; Pass., 215; Freight, 2,919.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	36.4%	30.6%	27.5%	29.5%	31.8%	34.3%
For Traffic, Transportation and General Expenses	40.1%	37.1%	39.4%	35.3%	33.6%	35.6%
For Fixed Charges	33.0%	23.1%	20.2%	17.0%	17.8%	15.3%
For Net Income	Deficit	9.2%	12.9%	18.2%	16.8%	14.8%

	1927	1926	1925	1924
Ton miles per mile of road.....	801,540	1,225,052	1,261,187	954,590
Passenger miles per mile of road....	154,833	269,544	336,063	202,563
Miles, second and addit'l main track.	326	326	206	25
Miles, yards and sidings	389	357	284	197

See Notes, page 392.

GEORGIA R. R.

(Property of Georgia Railroad & Banking Co. Leased Jointly by Atlantic Coast Line R. R. and Louisville & Nashville R. R.)

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	329	\$4,336,637	\$758,435	1924	329	\$5,984,812	\$126,049
1921	329	5,197,504	†578,066	1925	329	6,112,664	304,607
1922	329	5,241,928	101,507	1926	329	6,122,690	648,411
1923	329	6,199,047	364,924	1927	*329	5,666,788	342,137

*Includes 131 miles branches, 22 miles leased, and 5 miles trackage rights.

†Deficit.

DEBT OUTSTANDING

December 31, 1927

Owing Lessees	\$3,794,041
Equipment	631,200
Notes	1,202,766

Fixed Charges below include \$52,467 for Hire of Freight Cars, Dr. Bal., \$15,962 Net Rent for Other Equipment, and \$604,201 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 329.		
Railway Operating Revenues	Total \$5,666,788	Per Mile \$17,224
Railway Operating Expenses	4,624,497	14,056
Net Revenue from Railway Operations	1,042,291	3,168
Other Income (1926, \$459,084)	271,599	825
Gross Income	1,313,890	3,993
Fixed Charges (including for Taxes, \$154,690)†.....	971,753	2,954
*Net Income	342,137	1,039

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$684,155)	\$592,380	\$1,800
Maintenance of Equipment (1926, \$1,170,466)	1,042,615	3,169
Traffic Expenses	285,309	868
†Transportation Expenses (1926, \$2,483,088)	2,414,468	7,338
Miscellaneous Operations and General Expenses	289,725	881

Operating Ratio 81.6% (1926, 79.6%; 1925, 80.7%; 1924, 82.3%; 1923, 77.5%).

†Taxes 1926, \$192,872; 1925, \$185,002; 1924, \$85,794; 1923, \$80,685.

*This Net Income is the amount accruing to the lessees.

†After deducting \$17,241 Transportation for Investment—Cr.

Other Income above includes \$323,740 (1926, \$432,801) from Net Joint Facility Rents, \$15,888 from Miscellaneous Rents, \$2,000 from Miscellaneous Non-operating Physical Property, and \$9,546 Income from Securities and Accounts.

Equipment Dec. 31: Locos., 69; Pass., 77; Freight, 1,552.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	27.6%	28.2%	30.9%	30.7%	27.5%	26.9%
For Traffic, Transportation and General Expenses	50.3%	45.9%	48.3%	50.0%	48.1%	52.3%
For Fixed Charges	16.3%	16.1%	15.9%	17.2%	18.7%	18.9%
For Net Income	5.8%	9.8%	4.9%	2.1%	5.7%	1.9%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,052,281	1,161,517	1,182,192	1,110,176
Passenger miles per mile of road....	78,807	91,061	94,736	102,593

See Notes, page 394.

GEORGIA & FLORIDA R. R.

(Reorganization Effective in 1927)

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1924	406	\$1,780,889	\$629,957	1926	*406	\$1,972,838	\$668,609
1925	406	1,893,914	608,062	1927	445	1,851,804	†35,227

*The construction of an extension of 56 miles from Augusta, Ga., to Greenwood, S. C., was provided as part of the reorganization plan. †Net Income.

STOCK OUTSTANDING

December 31, 1927

Common (no par)...	100,000 shares
*Preferred (6%)	\$9,000,000
†Income Debentures (6%)..	1,500,000

BONDS OUTSTANDING

December 31, 1927

†First Mortgage (6%).....	\$4,200,000
Equipment	700,000
Note to Govt. (6%).....	792,000
Other	22,000

*Cumulative beginning 3 years after date of completion of Greenwood extension. †Interest payable if earned and cumulative from date of completion of Greenwood extension. ‡Including \$2,300,000 sold for construction of Greenwood extension.

Loans and Bills Payable, December 31, 1927, \$22,500.

CAPITALIZATION

	Total	Per Mile
Preferred Stock and Income Debentures.....	\$10,500,000	\$23,595
Bonds	5,714,000	12,840
Total	16,214,000	36,435

Fixed Charges below include \$9,878 for Net Joint Facility Rents, \$3,984 for Hire of Freight Cars, Dr. Bal., and \$4,298 Net Rent for Other Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 445.		
Railway Operating Revenues.....	\$1,851,804	\$4,161
Railway Operating Expenses.....	1,512,396	3,398
Net Revenue from Railway Operations.....	339,408	763
Other Income (1926, \$19,210).....	27,284	61
Gross Income	366,692	824
Fixed Charges (including for Taxes, \$97,468)†.....	331,465	745
Net Income	35,227	79

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$286,398).....	\$328,976	\$736
Maintenance of Equipment (1926, \$231,792).....	277,975	625
Traffic Expenses	119,516	263
†Transportation Expenses (1926, \$724,445).....	687,929	1,545
Miscellaneous Operations and General Expenses.....	100,000	224

Operating Ratio 81.7% (1926, 73.4%; 1925, 70.9%; 1924, 74.4%; 1923, 76.0%).

†Taxes 1926, \$78,000; 1925, \$79,026; 1924, \$77,064; 1923, \$75,745.

†After deducting \$446 Transportation for Investment—Cr.

Equipment Dec. 31: Locos., 82; Pass., 15; Freight, 619.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924
For Maintenance Expenses.....	32.2%	26.0%	24.2%	26.0%
For Traffic, Transportation and General Expenses	48.3%	46.7%	45.7%	47.4%
For Fixed Charges.....	17.7%	60.6%	61.8%	61.5%
For Net Income.....	1.8%	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	218,570	271,136	236,638	195,166
Passenger miles per mile of road....	13,726	20,011	19,090	17,946
Miles, yards and sidings	65	59	...	...

See Notes, page 394.

GEORGIA SOUTHERN & FLORIDA RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	395	\$2,899,898	\$254,025	1921	402	\$4,586,770	†\$843,487
1911-12	395	2,447,529	174,990	1922	402	4,518,016	119,043
1912-13	395	2,566,890	195,479	1923	402	5,319,344	391,684
1913-14	395	2,596,549	150,253	1924	402	5,180,128	581,192
1914-15	395	2,215,773	5,020	1925	402	6,749,302	1,003,780
1915-16	402	2,445,408	219,785	1926	402	6,764,554	653,317
1917	402	2,983,427	358,339	1927	*402	4,863,249	98,336

*Includes 11 miles trackage. †Deficit. Per annual report \$475,784, including credit \$867,703 account claim for Government guaranty.

*STOCK OUTSTANDING

December 31, 1927

Common	\$2,000,000
†Preferred 1st (5%)	684,000
†Preferred 2nd (5%)	1,084,000

*Owned \$1,882,400 common, \$177,700 first and \$558,700 second preferred stocks by Southern Ry. †Non-cumulative; entitled to share equally in dividends after 5% on the common stock. ‡Not including \$1,237,884 owned unpledged.

Loans and Bills Payable, December 31, 1927, \$1,300,000.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$6,386,272
Equipment	1,024,000

CAPITALIZATION

	Total	Per Mile
Stock	\$3,768,000	\$9,373
Bonds	7,410,272	18,434
Total	11,178,272	27,807

Fixed Charges below include \$25,888 for Net Joint Facility Rents, \$83,800 (1926, \$869,821; 1925, \$547,836) for Hire of Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 402.

	Total	Per Mile
Railway Operating Revenues	\$4,863,249	\$12,098
Railway Operating Expenses	4,088,149	10,170
Net Revenue from Railway Operations	775,100	1,928
Other Income (1926, \$40,220)	29,762	74
Gross Income	804,862	2,002
Fixed Charges (including for Taxes, \$243,062)†.....	706,526	1,757
*Net Income	98,336	245

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,002,572)	\$1,003,736	\$2,497
Maintenance of Equipment (1926, \$1,087,201)	922,640	2,295
Traffic Expenses	112,387	280
†Transportation Expenses (1926, \$2,583,482)	1,894,908	4,714
Miscellaneous Operations and General Expenses.....	154,478	384

Operating Ratio 84.1% (1926, 75.0%; 1925, 65.4%; 1924, 69.7%; 1923, 77.1%).

†Taxes 1926, \$334,011; 1925, \$372,683; 1924, \$218,305; 1923, \$235,164.

*This Net Income before deducting \$88,400 for 5% preferred dividends.

†After deducting \$966 Transportation for Investment—Cr.

Other Income above includes \$9,172 from Miscellaneous Rents, \$4,560 from Miscellaneous Non-operating Physical Property, \$13,668 Income from Unfunded Securities and Accounts, and \$2,363 (1926, \$6,169) from Dividends.

Equipment Dec. 31: Locos., 46; Pass., 45; Freight, 1,993.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	39.4%	30.7%	23.3%	28.1%	32.7%	33.7%
For Traffic, Transportation and General Expenses	44.2%	43.8%	41.6%	41.0%	44.2%	48.6%
For Fixed Charges	14.4%	15.9%	20.3%	19.8%	15.8%	15.1%
For Net Income	2.0%	9.6%	14.8%	11.1%	7.3%	2.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	892,548	1,345,060	1,219,380	797,568
Passenger miles per mile of road....	90,901	133,193	142,607	104,005
Miles, second and addit'l main track.	5	5	5	..
Miles, yards and sidings	117	115	109	115

See Notes, page 396.

NORFOLK SOUTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	*569	\$3,334,757	\$829,223	1922	888	\$7,931,667	\$26,813
1913-14	843	3,990,020	†66,238	1923	890	8,915,226	293,952
1914-15	860	3,625,662	†206,039	1924	890	8,839,549	344,864
1915-16	863	4,352,643	386,126	1925	890	8,745,663	470,999
1917	863	5,017,908	305,624	1926	889	9,627,723	754,044
1921	900	7,501,176	†366,338	1927	889	9,136,499	678,894

*Does not include operations of electric division, 42 miles, previously included; beginning 1913-14 includes mileage of Raleigh, Charlotte & Southern Ry., 292 miles, merged. †Deficit. ‡Includes 8 miles trackage and 134 miles leased.

STOCK OUTSTANDING

December 31, 1927

Common\$16,000,000

BONDS OUTSTANDING

December 31, 1927

*Mortgage Bonds (5%) ...\$18,402,000

†Equipment 543,400

*Not including \$2,708,000 in sinking funds, \$4,445,000 pledged, and \$511,000 in treasury. †Not including \$182,000 in treasury.

CAPITALIZATION

	Total	Per Mile
Stock	\$16,000,000	\$17,998
Bonds	18,945,400	21,311
Total	34,945,400	39,309

Fixed Charges below include \$19,886 for Net Joint Facility Rents, \$354,947 (1926, \$445,144) for Hire of Equipment, Dr. Bal., \$167,102 for Rent for Leased Roads and \$18,974 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 889.		
Railway Operating Revenues	\$9,136,499	\$10,277
Railway Operating Expenses	6,487,886	7,298
Net Revenue from Railway Operations	2,648,613	2,979
Other Income (1926, \$78,470)	71,728	81
Gross Income	2,720,341	3,060
Fixed Charges (including for Taxes, \$615,177)†.....	2,041,447	2,296
*Net Income	678,894	764

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,254,599)	\$1,140,356	\$1,283
Maintenance of Equipment (1926, \$1,636,691)	1,451,026	1,632
Traffic Expenses	293,421	330
†Transportation Expenses (1926, \$3,287,073)	3,261,933	3,669
Miscellaneous Operations and General Expenses....	341,150	384

Operating Ratio 71.0% (1926, 70.4%; 1925, 72.8%; 1924, 74.3%; 1923, 75.8%).

†Taxes 1926, \$649,600; 1925, \$511,091; 1924, \$491,382; 1923, \$438,767.

*Combined operation from steam and electric lines resulted in earnings of \$740,355 in 1927, \$813,578 in 1926, \$512,524 in 1925, \$408,521 in 1924, and \$374,350 in 1923.

†After deducting \$97,480 Transportation for Investment—Cr.

Other Income above includes \$10,449 from Miscellaneous Rents, \$4,520 from Miscellaneous Non-operating Physical Property, \$29,096 Income from Securities and Accounts, \$11,869 Income from Sinking and other Reserve Funds, and \$15,449 from Dividends.

Equipment Dec. 31: Locos., 97; Pass., 114; Freight, 3,335; Floating, 13. Electric: Locos., 5; Pass., 43.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	28.1%	29.8%	27.5%	28.0%	29.0%	29.4%
For Traffic, Transportation and General Expenses	42.3%	40.1%	44.8%	45.7%	46.1%	47.7%
For Fixed Charges	22.2%	22.4%	22.4%	22.4%	21.6%	22.6%
For Net Income	7.4%	7.7%	5.3%	3.9%	3.3%	0.3%

	1927	1926	1925	1924
Ton miles per mile of road*.....	510,964	553,106	489,073	464,732
Passenger miles per mile of road*...	22,932	30,040	35,146	43,777

*932 miles, including 42 electric.

See Notes, page 397.

NORFOLK & WESTERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	2,023	\$43,739,921	\$11,106,041	1922	2,238	\$90,352,887	\$14,554,989
1913-14	2,036	44,470,619	10,268,140	1923	2,239	95,591,682	†18,788,497
1914-15	2,042	42,987,044	10,409,905	1924	2,241	194,580,674	†15,116,712
1915-16	2,059	57,304,586	20,624,059	1925	2,241	105,218,991	26,564,759
1917	2,085	65,910,242	18,946,137	1926	2,241	120,409,038	36,867,506
1921	2,226	80,718,802	10,043,181	1927	*2,242	110,948,201	30,749,616

*Including 685 miles branches. †Including approximately \$2,600,000 credits relating to federal rental. ‡Excluding \$3,126,686 adjustment of interline revenues.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$140,006,300
Preferred (4%)	22,992,300

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds	\$95,288,500
Equipment	20,010,000
‡Convertible Bonds (6%)...	1,158,300

*Owned \$58,392,000 common and \$12,238,000 preferred (voting) stock by Pennsylvania R.R. System. Preferred stock is non-cumulative. †Not including \$6,800,000 jointly guaranteed bonds and \$13,267,000 N. & W. Pocahontas Coal joint 4s. ‡Convertible at par into common stock to maturity, September, 1929.

CAPITALIZATION

	Total	Per Mile
Stock	\$162,998,600	\$72,703
Bonds	116,456,800	51,943
Total	279,455,400	124,646

Fixed Charges below include \$100,482 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,242		
Railway Operating Revenues	\$110,948,201	\$49,487
Railway Operating Expenses	69,696,126	31,087
Net Revenue from Railway Operations	41,252,075	18,400
Other Income (1926, \$4,335,856)	5,257,134	2,345
Gross Income	46,509,209	20,745
Fixed Charges (including for Taxes, \$10,300,000)†.....	15,759,593	7,029
*Net Income	30,749,616	13,716

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$16,413,152)	\$15,711,540	\$7,008
Maintenance of Equipment (1926, \$21,215,215)	21,261,405	9,483
Traffic Expenses	1,340,034	598
†Transportation Expenses (1926, \$29,749,194)	28,549,544	12,734
Miscellaneous Operations and General Expenses	2,833,603	1,264

Operating Ratio 62.8% (1926, 59.2%; 1925, 64.6%; 1924, 73.9%; 1923, 75.9%).

†Taxes 1926, \$11,075,000; 1925, \$8,600,000; 1924, \$7,400,000; 1923, \$6,225,000.

*This Net Income before deducting \$98,820 applied to sinking and other reserve funds.

†After deducting \$489,225 Transportation for Investment—Cr.

Other Income above includes \$2,690,571 (1926, \$2,418,469; 1925, \$2,386,617; 1924, \$1,726,291) from Hire of Freight Cars, Cr. Bal., \$182,099 Net Rent from Other Equipment, \$199,945 from Net Joint Facility Rents, \$90,800 from Miscellaneous Rents, \$118,010 from Miscellaneous Non-operating Physical Property, \$1,869,023 (1926, \$1,241,598; 1925, \$708,005) Income from Securities and Accounts, and \$7,099 from Dividends.

Equipment Dec. 31: Locos., 895; Pass., 539; Freight, 47,783.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.8%	30.2%	33.7%	38.5%	36.7%	33.4%
For Traffic, Transportation and General Expenses	28.2%	27.0%	28.6%	33.0%	34.2%	34.1%
For Fixed Charges	13.6%	13.3%	13.3%	13.0%	10.8%	12.0%
For Net Income	26.4%	29.5%	24.4%	15.5%	18.3%	15.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	6,702,062	7,459,095	6,106,114	5,413,566
Passenger miles per mile of road....	90,136	98,956	104,926	117,065
Miles, second and addit'l main track.	634	634	631	590
Miles, yards and sidings	1,601	1,568	1,557	1,536

See Notes, page 399.

RICHMOND, FREDERICKSBURG & POTOMAC R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	123	\$2,256,616	\$710,578	1921	*122	\$10,002,076	\$985,489
1911-12	123	2,575,535	658,312	1922	122	10,975,812	†2,394,911
1912-13	124	2,968,612	807,996	1923	122	12,077,813	†2,597,035
1913-14	124	2,978,393	618,632	1924	118	11,836,355	2,405,819
1914-15	124	2,907,830	632,068	1925	118	12,891,176	†3,099,821
1915-16	124	3,325,719	1,024,370	1926	118	12,801,737	2,473,338
1917	124	5,249,407	1,368,301	1927	118	11,595,722	1,709,754

*Washington Southern Railway Co. merged as of March 1, 1920. †Before deducting \$300,000 in 1922 and 1923 and \$200,000 in 1925 as reserves against amounts which may be found due U. S. Government under "recapture" provision, Transportation Act, included by Company in Fixed Charges.

STOCK OUTSTANDING

December 31, 1927

Common	\$1,316,900
*Dividend Obligations.....	9,017,500
†Non-Voting (6%).....	4,000,000
Guaranteed	500,400

*Share equally with common stock except in voting power; \$5,417,400 issued in 1928 as stock dividend to all stock except non-voting common. †Issued in 1920 in exchange for stock of Washington Southern Ry.

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$7,180,000
Equipment	749,600

CAPITALIZATION

	Total	Per Mile
Stock	\$14,834,800	\$125,718
Bonds	7,929,600	67,200
Total	22,764,400	192,918

Fixed Charges below include \$125,599 for Net Joint Facility Rents, and \$480,801 for Hire of Equipment Dr. Bal.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 118.		
Railway Operating Revenues	\$11,595,722	\$98,269
Railway Operating Expenses	8,438,157	71,510
Net Revenue from Railway Operations	3,157,565	26,759
Other Income (1926, \$262,850)	210,956	1,788
Gross Income	3,368,521	28,547
Fixed Charges (including for Taxes, \$669,451)†.....	1,658,767	14,058
Net Income	1,709,754	14,489

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,331,455)	\$1,414,940	\$11,991
Maintenance of Equipment (1926, \$2,124,644)	2,027,984	17,186
Traffic Expenses	109,090	925
†Transportation Expenses (1926, \$4,274,466)	4,141,723	35,099
Miscellaneous Operations and General Expenses	744,420	6,309

Operating Ratio 72.8% (1926, 67.6%; 1925, 63.8%; 1924, 66.7%; 1923, 65.7%).

†Taxes 1926, \$858,762; 1925, \$787,062; 1924, \$667,206; 1923, \$674,717.

†After deducting \$1,529 Transportation for Investment—Cr.

Other Income above includes \$8,606 from Miscellaneous Rents, \$3,280 from Lease of Road, \$21,763 from Miscellaneous Non-operating Physical Property, \$104,308 (1926, \$207,825) Income from Securities and Accounts, and \$18,950 from Dividends.

Equipment Dec. 31: Locom., 110; Pass., 124; Freight, 1,350.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses.....	29.1%	26.5%	24.3%	26.7%	24.7%	24.0%
For Traffic, Transportation and General Expenses	42.3%	39.8%	37.8%	39.1%	40.1%	40.2%
For Fixed Charges	14.1%	14.8%	14.3%	14.1%	14.0%	17.2%
For Net Income	14.5%	18.9%	23.6%	20.1%	21.2%	18.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	3,672,973	3,652,615	3,721,595	3,476,016
Passenger miles per mile of road....	854,851	1,105,368	1,124,612	975,469
Miles second and addit'l main track.	119	119	119	119
Miles yards and sidings	20	197	193	186

See Notes, page 104.

SEABOARD AIR LINE RY.

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1912-13	3,074	\$24,527,865	\$1,735,854	1922	3,576	\$45,679,048	†\$1,002,617
1913-14	3,084	25,291,758	1,674,216	1923	3,576	52,249,110	2,272,380
1914-15	3,106	21,280,463	341,632	1924	3,571	53,884,173	3,332,077
1915-16	3,449	24,494,789	1,269,978	1925	3,784	62,864,711	4,085,160
1917	3,461	30,345,146	854,066	1926	3,943	67,024,854	4,753,778
1921	3,563	42,844,933	†1,766,648	1927	†4,291	61,790,150	1,281,577

*In years 1921 to 1927, inclusive, before Adjustment bond interest requirements; in prior years after such payments, regular to 1920 inclusive. †Including 812 miles leased and 88 miles trackage rights. ‡Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	\$37,019,100
*Preferred (4%)	23,894,100
Preferred (6%)	87,300
†Adjustment Bonds (5%)	25,000,000

*Entitled to 2% additional after 4% paid on the common stock in any year. †Income, cumulative; 12½% interest accrued unpaid December 31, 1927. ‡Not including \$39,884,081 proportion guaranteed of bonds and notes of other companies including \$27,194,000 Seaboard All Florida (leased) First 6s.

Loans and Bills Payable, December 31, 1927, \$1,050,000.

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$115,508,500
Equipment	28,698,000
Notes to Govt. (6%)....	16,443,888
Other	2,841,649

CAPITALIZATION

	Total	Per Mile
Stock and Income Bonds	\$85,950,500	\$20,030
Bonds	163,492,037	38,101
Total	249,442,537	58,131

Fixed Charges below include \$112,635 for Net Joint Facility Rents, \$814,955 (1926, \$2,129,863; 1925, \$2,148,605; 1924, \$412,865) for Net Hire of Equipment, and \$2,728,791 (1926, \$1,494,057; 1925, \$942,869) for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 4,291.		
Railway Operating Revenues	\$61,790,150	\$14,399
Railway Operating Expenses	46,873,315	10,923
Net Revenue from Railway Operations	14,916,835	3,476
Other Income (1926, \$1,899,943)	2,235,531	520
Gross Income	17,152,366	3,996
Fixed Charges (including for Taxes, \$3,567,049)†.....	15,870,789	3,698
*Net Income	1,281,577	298

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,984,653)	\$7,637,801	\$1,779
Maintenance of Equipment (1926, \$10,122,639)	9,638,958	2,246
Traffic Expenses	2,531,359	590
†Transportation Expenses (1926, \$24,492,905)	23,584,769	5,496
Miscellaneous Operations and General Expenses	3,480,428	812

Operating Ratio 75.9% (1926, 73.5%; 1925, 74.3%; 1924, 77.5%; 1923, 77.2%).

†Taxes 1926, \$3,472,001; 1925, \$3,023,401; 1924, \$2,442,535; 1923, \$2,204,054.

*Before deducting \$1,250,000 for interest on Adjustment bonds.

†After deducting \$180,581 Transportation for Investment—Cr.

Other Income above includes \$161,724 from Miscellaneous Rents, \$37,599 from Miscellaneous Non-operating Physical Property, \$1,092,879 (1926, \$811,441) from Securities and Accounts, and \$941,414 (1926, \$743,851) from Dividends.

Equipment Dec. 31: Locos., 737; Pass., 527; Freight, 22,598; Marine, 14.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	26.9%	27.7%	29.1%	31.6%	30.2%	29.8%
For Traffic, Transportation and General Expenses	46.2%	43.8%	44.0%	44.5%	46.3%	48.6%
For Fixed Charges	24.8%	21.6%	20.5%	17.8%	19.2%	23.7%
For Net Income	2.1%	6.9%	6.4%	6.1%	4.3%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	790,246	922,317	871,722	779,088
Passenger miles per mile of road....	64,413	87,494	97,930	77,946
Miles, second and addit'l main track.	60	60	26	26
Miles, yards and sidings.....	1,396	1,296	1,203	1,137

See Notes, page 406.

SOUTHERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	7,036	\$68,529,490	\$7,078,625	1922	6,971	\$128,489,847	\$8,823,796
1913-14	7,033	69,533,697	4,839,706	1923	6,971	150,467,985	15,136,998
1914-15	7,031	62,199,510	1,656,682	1924	6,869	142,486,514	17,769,140
1915-16	7,023	69,997,675	9,333,899	1925	6,874	149,313,892	22,579,172
1917	6,983	90,716,569	14,037,415	1926	6,795	155,467,976	23,596,722
1921	6,971	128,715,150	2,026,623	1927	*6,771	147,639,062	21,699,908

*Including 510 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common	\$129,818,560
†Preferred (5%)	60,000,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$264,863,700
Equipment	33,014,600

*Including \$54,960 receipts for subscriptions paid. †Non-cumulative. ‡Not including \$58,404,000 Securities on Leasehold Estates upon which interest and dividends are paid as Rental for Leased Roads, nor including \$37,741,200 (\$37,519,000 Dev. & Gen. Mtge. bonds) securities of the company owned unpledged. Including \$5,650,200 Southern Ry.-Mobile & Ohio stock trust certificates.

CAPITALIZATION

	Total	Per Mile
Stock	\$189,818,560	\$28,034
Bonds	297,878,300	43,993
Total	487,696,860	72,027

Fixed Charges below include \$910,985 for Net Joint Facility Rents, \$566,185 (1926, \$808,830; 1925, \$151,464; 1924, \$748,542; 1923, \$2,042,237; 1922, \$4,213,019) for Net Hire of Equipment, and \$2,835,320 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 6,771.	Total	Per Mile
Railway Operating Revenues	\$147,639,062	\$21,806
Railway Operating Expenses	103,907,953	15,346
Net Revenue from Railway Operations	43,731,109	6,459
Other Income (1926, \$5,856,954)	6,823,150	1,008
Gross Income	50,554,259	7,467
Fixed Charges (including for Taxes, \$9,454,004)†.....	28,854,351	4,262
Net Income (per Common Share, \$14.40).....	21,699,908	3,205

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$21,049,999)	\$20,337,178	\$3,004
Maintenance of Equipment (1926, \$26,773,735)	26,081,329	3,852
Traffic Expenses	3,035,472	448
†Transportation Expenses (1926, \$51,658,615)	49,157,028	7,260
Miscellaneous Operations and General Expenses	5,296,946	782

Operating Ratio 70.4% (1926, 69.4%; 1925, 69.5%; 1924, 72.1%; 1923, 74.7%).

†Taxes 1926, \$10,351,100; 1925, \$9,441,565; 1924, \$7,702,699; 1923, \$6,994,407.

†After deducting \$184,972 Transportation for Investment—Cr.

Other Income above includes \$280,123 from Miscellaneous Rents, \$104,617 from Miscellaneous Non-operating Physical Property, \$3,018,666 Income from Securities and Accounts, and \$3,313,378 (1926, \$2,704,442; 1925, \$2,143,277; 1924, \$1,747,877; 1923, \$1,565,675; 1922, \$2,951,026; 1921, \$2,112,895) from Dividends.

Equipment Dec. 31: Locos., 1,793; Pass., 1,073; Freight, 58,365; Floating, 25.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.0%	29.7%	29.8%	30.6%	32.4%	29.5%
For Traffic, Transportation and General Expenses	37.2%	37.2%	37.3%	39.1%	40.6%	43.6%
For Fixed Charges	18.7%	18.5%	18.3%	18.2%	17.2%	20.8%
For Net Income	14.1%	14.6%	14.6%	12.1%	9.8%	6.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,332,597	1,327,910	1,203,615	1,104,291
Passenger miles per mile of road....	116,506	129,622	131,207	131,733
Miles, second and addit'l main track.	1,086	1,086	1,084	756
Miles, yards and sidings	3,174	3,143	3,087	...

See Notes, page 411.

VIRGINIAN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	504	\$5,889,406	\$737,921	1926	541	\$20,332,348	\$3,671,445
1915-16	505	7,890,362	1,898,278	1927	545	12,968,430	2,315,141
1917	513	10,343,479	2,390,795	1928	545	12,862,179	2,399,777
1921	535	12,034,367	2,977,722	1929	545	20,579,689	6,717,947
1922	539	12,008,442	2,498,033	1927	*545	22,114,735	5,908,893

*Including 10 miles leased and 21 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

Common	\$21,271,500
*Preferred (9%)	27,355,000

*Cumulative. †Not including \$7,800,000 First 5s of Virginian Terminal Ry., owned and pledged, and \$2,700,400 First 5s of Virginian and Western Ry., owned unpledged, both guaranteed.

BONDS OUTSTANDING

December 31, 1927

First Mortgage (5%)	\$65,344,000
Equipment	9,400,000

CAPITALIZATION

	Total	Per Mile
Stock	\$69,236,500	\$108,612
Bonds	64,512,000	112,994
Total	134,040,100	227,898

Fixed Charges below include \$582,751 (1926, \$582,408) for Net Rent of Tracks, Yards, Terminals, etc., and \$119,292 (1926, \$126,107, 1925, \$119,706) for Discount on Bonds and Equipment Notes written off.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 545.		
Railway Operating Revenues	\$22,114,735	\$40,578
Railway Operating Expenses	11,008,491	21,301
Net Revenue from Railway Operations	10,511,294	19,307
Other Income (1926, \$1,214,177)	1,530,563	2,790
Gross Income	12,041,877	22,077
Fixed Charges (including for Taxes, \$2,168,954)	6,123,216	11,236
Net Income (per Common Share, \$13.52)	5,908,661	10,842

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,052,952)	\$2,277,652	\$4,365
Maintenance of Equipment (1926, \$4,454,406)	4,309,596	7,907
Traffic Expenses	198,595	365
†Transportation Expenses (1926, \$4,156,721)	4,346,354	7,976
Miscellaneous Operations and General Expenses	408,308	760

Operating Ratio 52.5% (1926 55.5% 1925 62.4% 1924 64.3% 1923 67.0%). Taxes 1926, \$1,649,100, 1925 \$1,268,044 1924 \$1,390,220, 1923, \$1,181,790.

†After deducting \$77,492 Transportation for Investment. 4 F
Other Income above includes \$611,490 (1926, \$452,493 1925 \$622,618; 1924, \$102,040) from Net Hire of Equipment \$141,497 (1926, \$136,097, 1925, \$134,097) from Dividends (\$100,000 from Virginian & Western Ry. - \$100,000 in 1926 and 1925, none in 1924, and \$40,000 from Virginian Terminal Ry. - \$35,000 in 1926 and 1925, \$50,000 in 1924, \$35,000 in 1923, \$20,000 in 1922, and \$300,000 in 1921), and \$766,696 (1926, \$624,585, 1925, \$1,119,077, 1924, \$1,226,065) from Other Sources.

Equipment Dec. 31: Locom., 176, incl. 14 electric; Pass.; 62; Freight, 10,294.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	22.3%	20.2%	22.8%	23.1%	23.7%	25.5%
For Traffic, Transportation and General Expenses	20.8%	22.3%	24.0%	27.5%	23.5%	27.2%
For Fixed Charges	25.9%	22.3%	24.0%	24.9%	18.5%	20.0%
For Net Income	25.0%	30.2%	12.0%	16.5%	17.8%	17.3%

	1927	1926	1925	1924
Ton miles per mile of road	5,718,294	6,218,946	5,022,342	5,234,523
Passenger miles per mile of road	24,493	27,342	22,753	44,189
Miles, second and addit'l main track	34	34	34	28
Miles, yards and sidings	343	289	233	308

See Notes, page 417.

WESTERN MARYLAND RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	804	\$18,575,350	\$33,398	1925	804	\$19,861,774	\$1,779,059
1923	804	23,055,036	1,671,169	1926	804	25,259,575	3,259,339
1924	804	19,135,563	574,148	1927	*804	21,866,170	3,275,078

*Including 76 miles branches and spurs, 46 miles leased, 21 miles operated lines, and 114 miles trackage rights.

****STOCK OUTSTANDING**

December 31, 1927

Common	\$50,864,098
*Preferred 1st (7%)	17,742,050
†Preferred 2nd (4%)	8,561,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$60,211,766
Equipment	5,685,800

**Owned \$15,905,000 common, \$14,478,900 first and \$800,000 second preferred stock by Baltimore & Ohio R. R. *Cumulative from July 1, 1918; no dividends paid. †Non-cumulative; convertible at par into common stock. ‡Not including \$705,400 in sinking fund and \$11,592,276 in treasury unpledged; likewise not including \$584,000 mortgage bonds of leased roads outstanding.

CAPITALIZATION

	Total	Per Mile
Stock	\$77,167,148	\$95,979
Bonds	65,897,566	81,962
Total	143,064,714	177,941

Fixed Charges below include \$192,884 (1926, \$193,744) for Net Joint Facility Rents, \$4,906 for Miscellaneous Rents, \$85,130 for Rent for Leased Roads, and \$12,192 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 804.		
Railway Operating Revenues (\$11,263,758 Coal)	\$21,866,170	\$27,197
Railway Operating Expenses	14,993,312	18,648
Net Revenue from Railway Operations	6,872,858	8,549
Other Income (1926, \$188,664)	840,399	1,045
Gross Income	7,713,257	9,594
Fixed Charges (including for Taxes, \$1,180,026)†.....	4,438,179	5,520
Net Income	3,275,078	4,074

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,952,965)	\$3,289,672	\$4,092
Maintenance of Equipment (1926, \$6,098,196)	4,552,230	5,662
Traffic Expenses	473,849	589
†Transportation Expenses (1926, \$7,250,964)	5,980,680	7,438
Miscellaneous Operations and General Expenses.....	696,881	867

Operating Ratio 68.6% (1926, 68.9%; 1925, 70.3%; 1924, 74.0%; 1923, 76.8%).

†Taxes 1926, \$1,096,082; 1925, \$775,205; 1924, \$915,000; 1923, \$1,004,140.

†After deducting \$96,158 Transportation for Investment—Cr.

Other Income above includes \$632,743 (debit, 1926, \$489,158; debit, 1925, \$169,912) Net Hire of Equipment, \$40,174 from Miscellaneous Rents, \$44,002 from Miscellaneous Non-operating Physical Property, \$42,892 debit account Net Income from Miscellaneous Properties, and \$161,745 Income from Securities, Accounts and Funds.

Equipment Dec. 31: Locos., 262; Pass., 89; Freight, 11,551; Floating, 10.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.5%	35.6%	35.4%	36.0%	36.9%	36.5%
For Traffic, Transportation and General Expenses	31.5%	32.8%	34.6%	37.6%	37.4%	42.0%
For Fixed Charges	19.5%	18.8%	21.1%	23.4%	18.7%	21.3%
For Net Income	14.5%	12.8%	8.9%	3.0%	7.0%	0.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	3,188,574	3,831,531	2,655,679	2,508,201
Passenger miles per mile of road....	33,470	41,791	49,339	38,282
Miles, second and addit'l main track.	100	90	87	87
Miles, yards and sidings	410	406	398	395

See Notes, page 420.

WRIGHTSVILLE & TENNILLE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	105	\$327,112	\$67,505	1921	104	\$282,867	†\$47,008
1911-12	105	348,992	53,467	1922	104	295,238	12,160
1912-13	104	306,583	20,172	1923	104	351,080	17,550
1913-14	104	352,119	75,058	1924	104	352,722	12,463
1914-15	104	271,368	17,417	1925	104	385,179	27,525
1915-16	104	264,339	†4,083	1926	104	450,141	51,082
1917	104	340,400	61,506	1927	104	401,040	45,606

†Deficit.

STOCK OUTSTANDING

December 31, 1927

Common (par \$25)\$530,000
 Preferred (6%—par \$25)..... 70,000

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds (5%)\$146,000

CAPITALIZATION

	Total	Per Mile
Stock	\$600,000	\$5,769
Bonds	146,000	1,404
Total	746,000	7,173

Fixed Charges below include \$857 for Net Joint Facility Rents, \$33,171 (1926, \$41,481) for Hire of Freight Cars, Dr. Bal., and \$19 Net Rent for Other Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 104.	Total	Per Mile
Railway Operating Revenues	\$401,040	\$3,856
Railway Operating Expenses	282,986	2,721
Net Revenue from Railway Operations	118,054	1,135
Other Income (1926, \$3,106)	2,814	27
Gross Income	120,868	1,162
Fixed Charges (including for Taxes, \$32,741)†.....	75,262	724
Net Income (per Common Share, \$1.95).....	45,606	438

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$80,193)	\$82,555	\$793
Maintenance of Equipment (1926, \$52,695)	31,089	299
Traffic Expenses	13,829	132
Transportation Expenses (1926, \$142,156)	133,764	1,287
Miscellaneous Operations and General Expenses	21,749	210

Operating Ratio 70.6% (1926, 69.5%; 1925, 73.5%; 1924, 79.0%; 1923, 79.7%).

†Taxes 1926, \$87,764; 1925, \$31,960; 1924, \$27,426; 1923, \$25,228.

Other Income above includes \$2,263 from Miscellaneous Rents, and \$551 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 7; Pass., 10; Freight, 30.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	28.2%	29.3%	27.6%	30.0%	31.5%	27.4%
For Traffic, Transportation and General Expenses	41.9%	39.7%	45.1%	47.8%	46.9%	53.4%
For Fixed Charges	18.7%	19.8%	20.2%	18.6%	16.7%	15.1%
For Net Income	11.2%	11.2%	7.1%	3.6%	4.9%	4.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	84,848	95,148	77,638	75,806
Passenger miles per mile of road....	6,611	8,764	11,399	13,393

See Notes, page 423.

ALABAMA GREAT SOUTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	309	\$4,479,120	\$955,039	1921	313	\$9,542,225	\$535,090
1911-12	309	4,775,891	1,012,596	1922	318	8,524,804	1,082,430
1912-13	309	5,231,985	1,134,620	1923	318	10,853,219	2,030,437
1913-14	309	5,385,307	757,187	1924	318	10,093,450	2,163,256
1914-15	309	4,776,630	626,174	1925	318	10,433,271	2,998,348
1915-16	310	5,641,402	1,460,358	1926	318	10,599,163	2,772,462
1917	312	7,151,055	1,903,622	1927	*315	10,359,494	2,621,764

*Including 21 miles trackage rights.

***STOCK OUTSTANDING**

December 31, 1927

Common (par \$50)\$7,830,000
 †Preferred (6%—par \$50)... 3,380,350

BONDS OUTSTANDING

December 31, 1927

‡Mortgage Bonds\$9,518,000
 Equipment 2,178,000

*Owned \$4,605,550 common and \$1,725,000 preferred stock by Southern Ry.
 †Cumulative for a period of six years; shares equally in dividends after 6% on the common stock. ‡First Consolidated Mortgage 5s due 1943.

CAPITALIZATION

	Total	Per Mile
Stock	\$11,210,350	\$35,588
Bonds	11,696,000	37,130
Total	22,906,350	72,718

Fixed Charges below include \$156,437 for Net Joint Facility Rents, and \$20,338 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 315.		
Railway Operating Revenues	\$10,359,494	\$32,887
Railway Operating Expenses	7,333,077	23,279
Net Revenue from Railway Operations	3,026,417	9,608
Other Income (1926, \$1,077,991)	1,064,442	3,378
Gross Income	4,090,859	12,986
Fixed Charges (including for Taxes, \$700,280)†.....	1,469,095	4,663
*Net Income (per Common Share, \$15.44)	2,621,764	8,323

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,446,983)	\$1,589,464	\$5,045
Maintenance of Equipment (1926, \$2,074,152)	1,974,576	6,268
Traffic Expenses	252,600	802
†Transportation Expenses (1926, \$3,189,167)	3,149,156	9,998
Miscellaneous Operations and General Expenses	367,281	1,166

Operating Ratio 70.8% (1926, 69.2%; 1925, 66.6%; 1924, 72.7%; 1923, 71.1%).

†Taxes 1926, \$773,201; 1925, \$717,973; 1924, \$554,690; 1923, \$641,842.

*This Net Income before deducting \$1,457,346 (1926, \$1,457,346) for dividends.

†After deducting \$7,239 Transportation for Investment—Cr.

Other Income above includes \$438,981 (1926, \$401,235) from Net Hire of Equipment, \$14,090 from Miscellaneous Rents, \$13,310 from Miscellaneous Non-operating Physical Property, \$264,681 Income from Securities and Accounts, and \$333,190 (1926, \$335,628; 1925, \$407,604) from Dividends.

Equipment Dec. 31: Locos., 116; Pass., 54; Freight, 5,317.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.2%	30.2%	28.1%	32.5%	31.6%	30.3%
For Traffic, Transportation and General Expenses	33.0%	32.7%	32.4%	35.1%	36.7%	42.5%
For Fixed Charges	12.9%	13.4%	13.4%	12.5%	13.8%	15.2%
For Net Income	22.9%	23.7%	26.1%	19.9%	17.9%	12.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,582,975	2,590,525	2,674,269	2,599,571
Passenger miles per mile of road....	176,943	180,503	178,319	185,687
Miles, second and addit'l main track.	102	102	100	100
Miles, yards and sidings.....	281	264	266	270

See Notes, page 424.

ALABAMA, TENNESSEE & NORTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	186	\$848,632	*7,532	1925	187	\$925,224	*37,711
1923	186	988,684	*45,279	1926	186	857,466	10,241
1924	187	958,042	*28,016	1927	†187	769,227	45,695

*Deficit. †In 1928 a 84-mile extension, Calvert to Mobile, Ala., was completed.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$2,406,780
†Preferred (6%).....	1,509,780

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest.....	\$3,603,289
Equipment	234,000

*Not including \$93,220 common and \$190,220 preferred stock in treasury.
†Cumulative from January 1, 1924. †\$1,525,860 Prior Lien 6s and \$1,977,429 General Lien 6s; by agreement in 1928 over \$1,900,000 General Lien bonds were deposited to receive 2% interest for ten years beginning 1924, interest prior to that year having been payable if earned, but none paid; not including \$116,000 Prior Lien bonds pledged and \$40,140 in treasury, and \$138,571 General Lien bonds in treasury.

CAPITALIZATION

	Total	Per Mile
Stock	\$3,916,560	\$20,944
Bonds	3,837,289	20,520
Total	7,753,849	41,464

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 187.	Total	Per Mile
Railway Operating Revenues.....	\$769,227	\$4,113
Railway Operating Expenses.....	640,456	3,424
Net Revenue from Railway Operations.....	128,771	689
Other Income (1926, \$52,454).....	45,879	244
Gross Income	174,650	933
Fixed Charges (including for Taxes, \$33,435)†.....	128,955	689
Net Income	45,695	244

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$347,767).....	\$203,111	\$1,086
Maintenance of Equipment (1926, \$162,588).....	155,356	830
Traffic Expenses	14,424	78
Transportation Expenses (1926, \$197,182).....	219,387	1,173
Miscellaneous Operations and General Expenses.....	48,178	257

Operating Ratio 83.3% (1926, 89.3%; 1925, 90.7%; 1924, 92.4%; 1923, 95.7%).

†Taxes 1926, \$31,245; 1925, \$31,747; 1924, \$34,942; 1923, \$33,040.

Other Income above includes \$28,552 (1926, \$31,833; 1925, \$21,618) from Net Equipment and Joint Facility Rentals.

Equipment Dec. 31: Locos., 15; Pass., 14; Freight, 422.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	43.9%	56.1%	58.4%	59.1%	60.8%	60.0%
For Traffic, Transportation and General Expenses	34.6%	28.5%	28.5%	29.8%	30.2%	29.9%
For Fixed Charges.....	15.8%	14.3%	13.8%	14.2%	13.4%	10.9%
For Net Income.....	5.7%	1.1%	Deficit	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	71,604	80,273	80,183	102,610
Passenger miles per mile of road.....	5,470	6,544	8,025	10,882
Miles, yards and sidings.....	9	9	9	9

See Notes, page 425.

CINCINNATI, NEW ORLEANS & TEXAS PACIFIC RY.

(Leases of Cincinnati Southern Ry.)

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	288	\$2,421,361	\$1,305,054	1922	288	\$2,441,369	\$2,002,000
1915-16	288	11,000,400	2,264,025	1923	288	21,361,007	4,215,170
1917	288	12,051,619	2,372,000	1925	288	22,422,948	6,612,065
1921	288	17,170,400	700,205	1926	288	22,210,201	4,709,200
1922	288	16,201,274	602,000	1927	288	21,211,207	2,215,243

*Consists of 230 miles leased from the City of Cincinnati, Ohio, and 5 miles of trackage. See Notes.

STOCK OUTSTANDING

December 31, 1927

Common \$2,970,000

†Preferred (6%—par \$25) 1,455,000

*Owned \$2,147,800 or 48.8% by Southwestern Construction Co. which in turn is owned 47.6% by Alabama Great Southern R. R., 15.8% by Southern Ry., and 36.6% by Baltimore & Ohio R. R. †Cumulative.

A stock dividend of 15,520,000 common stock was paid in 1926. Corporate Surplus December 31, 1927 was \$27,420,220, comprising \$10,727,467 Additions to Property since June 30, 1921 through Income and Surplus and \$16,702,753 credit balance to Profit and Loss.

BONDS OUTSTANDING

December 31, 1927

Equipment \$1,000,400

CAPITALIZATION

	Total	Per Mile
Stock	\$11,425,000	\$39,794
Equipment Obligations	2,630,400	7,722
Total	14,055,400	47,516

Fixed Charges below include \$68,200 for Net Joint Facility Rents, \$215,200 (1926, \$22,400, 1925, \$110,804) for Hire of Equipment, \$51,000 for Miscellaneous Rents, and \$1,424,401 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 288		
Railway Operating Revenues	\$21,211,207	\$64,231
Railway Operating Expenses	15,600,220	46,000
Net Revenue from Railway Operations	6,261,021	18,406
Other Income (1926, \$716,981)	720,202	2,327
Gross Income	7,007,524	20,232
Fixed Charges (including for Taxes, \$1,257,615)	2,222,642	6,894
*Net Income (per Common Share, \$41.17)	2,612,942	11,222

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,708,241)	\$2,402,000	\$10,200
Maintenance of Equipment (1926, \$4,455,675)	4,417,270	13,002
Traffic Expenses	622,674	1,840
†Transportation Expenses (1926, \$2,641,705)	4,200,028	12,500
Miscellaneous Operations and General Expenses	947,220	2,600

Operating Ratio 71.2% (1926, 69.0% 1925, 62.2%, 1924, 60.4%; 1923, 71.7%). Taxes 1924, \$1,424,700, 1925, \$1,240,504 1926, \$1,004,815, 1927, \$1,000,000.

*This Net Income before deducting \$1,100,270 (1926, \$1,100,270) for dividends and \$272,244 for additions and betterments charged to income.

†After deducting \$2,201 Transportation for Investment—Cr.

Other Income above includes \$24,447 from Miscellaneous Rents, \$2,400 from Miscellaneous Non-operating Physical Property \$787,046 (1926, \$401,007) Income from Securities and Accounts, and \$7,220 (1926, \$7,220, 1925, \$270,704) from Dividends.

Equipment Dec. 31: Leases, 242; Pans, 106; Freight, 7,202.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses.....	34.6%	22.9%	20.7%	22.9%	25.0%	26.0%
For Other Oper. Exp.....	22.0%	22.1%	22.0%	24.0%	25.1%	21.0%
For Fixed Charges	14.0%	12.5%	12.1%	12.0%	12.0%	12.0%
For Net Income	16.9%	19.8%	20.8%	19.2%	15.4%	2.7%

	1927	1926	1925	1924
Ton miles per mile of road	4,722,944	4,211,000	4,900,322	4,070,404
Passenger miles per mile of road....	224,200	270,200	297,278	200,007
Miles, second and addit'l main track.	170	170	170	170
Miles, yards and sidings	202	273	270	270

* Notes, page

424.

GULF, MOBILE & NORTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	402	\$2,322,650	\$772,011	1924	466	\$6,088,030	\$1,122,223
1921	454	4,086,217	44,588	1925	466	6,321,033	1,298,050
1922	487	4,541,438	744,340	1926	527	6,369,586	1,319,428
1923	466	5,944,549	874,684	1927	*678	7,099,497	1,054,194

*Including 148 miles trackage rights (145 miles over Nashville, Chattanooga and St. Louis Ry., Jackson, Tenn., to Paducah, Ky.) and 152 miles leased (49 miles, Birmingham & Northwestern Ry., from May 1, 1927, and 72 miles, Jackson & Eastern Ry., from July 1, 1927; operated December 31, 1927, 734 miles.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$10,996,100
†Preferred (6%)	11,415,600

BONDS OUTSTANDING

December 31, 1927

First Mortgage	\$7,000,000
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*Not including \$76,400 common and \$78,800 preferred stock in treasury.

†Cumulative: dividend arrears 16½%, January 1, 1928.

CAPITALIZATION

	Total	Per Mile
Stock	\$22,411,700	\$33,056
Bonds	7,000,000	10,324
Total	29,411,700	43,380

Fixed Charges below include \$121,393 (1926, \$31,220) for Net Joint Facility Rents, \$141,623 (1926, \$97,847; 1925, \$121,681; 1924, \$194,952) for Net Equipment Rents, \$142,317 for Rent for Leased Roads and \$8,905 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 678.		
Railway Operating Revenues	\$7,099,497	\$10,471
Railway Operating Expenses	5,125,615	7,560
Net Revenue from Railway Operations	1,973,882	2,911
Other Income (1926, \$169,729)	287,641	425
Gross Income	2,261,523	3,336
Fixed Charges (including for Taxes, \$440,868)†	1,207,329	1,781
Net Income	1,054,194	1,555

***OPERATING EXPENSES**

	Total	Per Mile
Maintenance of Way (1926, \$1,098,875)	\$1,201,607	\$1,772
Maintenance of Equipment (1926, \$998,704)	1,081,181	1,595
Traffic Expenses	362,080	534
Transportation Expenses (1926, \$1,850,898)	2,154,216	3,177
Miscellaneous Operations and General Expenses.....	326,532	482

Operating Ratio 72.2% (1926, 68.1%; 1925, 68.6%; 1924, 71.7%; 1923, 75.0%).

†Taxes 1926, \$517,044; 1925, \$486,312; 1924, \$844,192; 1923, \$326,644.

*Figures for 1926 restated to include operations of Birmingham & Northwestern Ry. and Jackson & Eastern Ry.

Other Income above includes \$10,786 from Miscellaneous Rents, \$3,666 from Miscellaneous Non-operating Physical Property, and \$270,038 (1926, \$149,464; 1925, \$127,854) Income from Securities and Accounts.

Equipment Dec. 31: Locos., 71; Pass., 42; Freight, 1,553.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses...	31.0%	30.3%	29.2%	31.6%	31.8%	30.2%
For Traffic, Transportation and General Expenses	38.5%	36.1%	37.7%	38.7%	41.8%	41.1%
For Fixed Charges	16.2%	13.4%	13.1%	11.6%	11.9%	12.7%
For Net Income	14.3%	20.2%	20.0%	18.1%	14.5%	16.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	808,330	837,837	898,817	913,296
Pass. miles per mile of road (529 mi.)	23,291	24,342	25,146	28,754

See Notes, page 428.

ILLINOIS CENTRAL R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	4,763	\$64,280,903	\$6,575,113	1922	4,785	\$154,860,387	\$16,089,676
1913-14	4,769	65,873,700	8,138,824	1923	*6,209	186,763,167	15,485,074
1914-15	4,770	61,700,372	6,859,162	1924	6,218	173,838,132	16,248,558
1915-16	4,767	69,077,343	11,807,565	1925	6,243	178,169,625	17,551,743
1917	4,766	87,144,786	15,191,326	1926	**6,436	186,632,490	17,150,399
1921	4,799	141,127,066	9,587,524	1927	†6,602	182,967,560	12,131,871

*Includes Y. & M. V. R. R., to 1924 operated separately; 1923 figures restated. **Includes from June 2, Alabama & Vicksburg Ry., 141 miles, Vicksburg, Shreveport & Pacific Ry., 188 miles, leased. †Includes 40 miles new line Maxon to Fulton, Ky.

STOCK OUTSTANDING

December 31, 1927

Common	\$132,009,092
*Preferred (6%)	22,436,100

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$290,458,345
Equipment	71,687,627
‡Leased Line Ctfs. (4%)	9,989,700

*Non-cumulative; convertible at par into common stock; redeemable at 115. †Not including \$58,295,000 bonds owned of which \$41,311,000 were of Yazoo & Mississippi Valley R. R., and \$45,493,000 were pledged. ‡Issued against C., St. L. & N. O. R. R. stock; interest included in Rent for Leased Roads.

CAPITALIZATION

	Total	Per Mile
Stock	\$154,445,192	\$23,393
Bonds	372,135,672	56,367
Total	526,580,864	79,760

Fixed Charges include \$3,081,864 (1926, \$2,182,624) for Hire of Freight Cars, Dr. Bal., \$2,787,226 (1926, \$2,384,587) for Rent for Leased Roads, including \$432,385 for Alabama & Vicksburg Ry. and \$504,497 for Vicksburg, Shreveport & Pacific Ry., and \$425,550 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 6,602.		
Railway Operating Revenues.....	\$182,967,560	\$27,713
Railway Operating Expenses.....	141,921,644	21,496
Net Revenue from Railway Operations.....	41,045,916	6,217
Other Income (1926, \$4,700,346).....	5,529,064	837
Gross Income	46,574,980	7,054
Fixed Charges (including for Taxes, \$11,889,965).....	34,443,109	5,217
Net Income (per Common Share, \$8.07).....	12,131,871	1,837

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$27,756,247).....	\$24,603,509	\$3,726
Maintenance of Equipment (1926, \$41,683,536).....	42,445,655	6,429
Traffic Expenses	3,643,651	552
†Transportation Expenses (1926, \$64,038,231).....	64,920,088	9,834
Miscellaneous Operations and General Expenses.....	6,308,741	955

Operating Ratio 77.6% (1926, 76.7%; 1925, 76.0%; 1924, 77.1%; 1923, 80.3%).

†After deducting \$341,495 Transportation for Investment—Cr.

Other Income above includes \$760,281 from Net Joint Facility Rents, \$395,803 Net Rent from Equipment other than Freight Cars, \$649,709 from Miscellaneous Rents, \$487,874 (1926, \$460,223) Income from Capital Advances to Affiliated Companies, \$1,371,690 (1926, \$1,671,446) Income from Securities and Accounts, and \$1,715,186 (1926, \$1,714,722) from Dividends.

Equipment Dec. 31: Locos., 1,871; Pass., 2,071; Freight, 67,391; Floating, 20.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	35.5%	36.1%	35.5%	35.5%	36.8%	35.5%
For Other Oper. Exp.....	39.9%	38.3%	38.5%	39.6%	39.6%	39.0%
For Fixed Charges.....	18.2%	16.7%	16.4%	15.8%	14.6%	15.4%
For Net Income.....	6.4%	8.9%	9.6%	9.1%	9.0%	10.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,441,939	2,451,915	2,385,287	2,297,294
Passenger miles per mile of road.....	144,398	148,285	154,783	156,125
Miles, second and addit'l main track;	1,208	1,197	1,164	1,144
Miles, yards and sidings.....	3,471	3,322	3,131	3,061

See Notes, page 431.

LOUISIANA & ARKANSAS RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	255	\$1,432,638	\$267,326	1921	302	\$3,380,764	\$180,454
1911-12	255	1,495,111	217,609	1922	302	3,294,233	519,224
1912-13	255	1,673,459	279,299	1923	302	3,796,299	693,823
1913-14	275	1,700,208	199,476	1924	302	4,030,319	435,645
1914-15	279	1,679,951	193,240	1925	302	4,090,952	708,033
1915-16	279	1,652,092	222,653	1926	302	4,295,438	729,881
1917	302	1,569,721	102,091	1927	†302	3,562,302	307,820

†Includes 18 miles trackage and 15 miles leased.

STOCK OUTSTANDING

December 31, 1927

Common\$5,000,000

Loans and Bills Payable, December 31, 1927, \$2,600,000; due January 1, 1928.

BONDS OUTSTANDING

December 31, 1927

Equipment\$122,000

CAPITALIZATION

	Total	Per Mile
Stock	\$5,000,000	\$16,556
Bonds	122,000	404
Total	5,122,000	16,960

Fixed Charges below include \$137,058 for Hire of Freight Cars, Dr. Bal., and \$12,381 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 302.		
Railway Operating Revenues.....	\$3,562,302	\$11,796
Railway Operating Expenses.....	2,690,159	8,908
Net Revenue from Railway Operations.....	872,143	2,888
Other Income (1926, \$38,977).....	41,769	138
Gross Income	913,912	3,026
Fixed Charges (including for Taxes, \$312,307)†.....	606,092	2,007
*Net Income	307,820	1,019

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$649,396).....	\$640,481	\$2,121
Maintenance of Equipment (1926, \$686,511).....	707,165	2,341
Traffic Expenses	135,798	450
†Transportation Expenses (1926, \$1,207,376).....	1,067,321	3,534
Miscellaneous Operations and General Expenses.....	139,394	462

Operating Ratio 75.5% (1926, 65.7%; 1925, 66.5%; 1924, 73.7%; 1923, 67.8%).

†Taxes 1926, \$411,580; 1925, \$362,812; 1924, \$297,737; 1923, \$305,362.

*This Net Income before deducting \$21,126 sinking fund appropriations.

†After deducting \$3,489 Transportation for Investment—Cr.

Other Income above includes \$7,701 from Net Joint Facility Rents, \$319 Net Rent from Equipment other than Freight Cars, \$2,036 from Miscellaneous Rents, \$3,111 from Miscellaneous Non-operating Physical Property and \$28,763 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 43; Pass., 27; Freight, 1,038.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	37.4%	30.8%	32.2%	39.0%	31.6%	33.5%
For Traffic, Transportation and General Expenses	37.3%	34.3%	33.9%	34.4%	34.4%	35.9%
For Fixed Charges.....	16.8%	18.0%	16.7%	15.8%	16.0%	14.9%
For Net Income.....	8.5%	16.9%	17.2%	10.8%	18.0%	15.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	763,117	955,284	773,472	779,955
Passenger miles per mile of road.....	16,226	20,701	24,757	36,398
Miles, yards and sidings.....	82	83	78	74

See Notes, page 438.

LOUISVILLE & NASHVILLE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	4,820	\$59,465,699	\$8,380,298	1922	5,039	\$121,138,840	\$10,598,019
1913-14	4,937	59,682,778	6,678,887	1923	5,040	136,875,673	13,498,985
1914-15	5,037	51,606,015	4,860,142	1924	5,044	135,505,677	14,132,794
1915-16	5,042	60,317,993	13,958,849	1925	5,042	142,244,307	18,700,711
1917	5,073	76,907,387	16,464,015	1926	5,038	147,136,531	19,422,111
1921	5,041	117,485,777	*336,962	1927	†5,064	144,605,117	16,726,241

*Deficit. †Including 143 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common\$117,000,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$212,432,820
Equipment 20,846,200

*Owned \$59,670,000 by Atlantic Coast Line R.R. †Not including \$25,474,500 bonds owned, \$6,584,500 in treasury unpledged. Including \$5,898,000 outstanding of L. & N. proportion of "Monon" collateral joint 4% bonds.

CAPITALIZATION

	Total	Per Mile
Stock	\$117,000,000	\$23,104
Bonds	233,279,020	46,066
Total	350,279,020	69,170

Fixed Charges below include \$388,938 for Net Joint Facility Rents, \$183,143 Net Rent for Equipment other than Freight Cars, \$232,481 for Rent for Leased Roads, and \$29,145 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 5,064.		
Railway Operating Revenues	\$144,605,117	\$28,555
Railway Operating Expenses	112,857,834	22,286
Net Revenue from Railway Operations	31,747,283	6,269
Other Income (1926, \$4,777,743)	4,436,235	876
Gross Income	36,183,518	7,145
Fixed Charges (including for Taxes, \$7,639,855)†.....	19,457,277	3,842
*Net Income (per Common Share, \$14.29).....	16,726,241	3,303

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$21,715,672).....	\$22,147,439	\$4,373
Maintenance of Equipment (1926, \$33,029,477)	32,443,885	6,407
Traffic Expenses	3,189,787	630
†Transportation Expenses (1926, \$50,238,683)	50,239,634	9,921
Miscellaneous Operations and General Expenses	4,837,089	955

Operating Ratio 78.0% (1926, 76.4%; 1925, 76.2%; 1924, 79.1%; 1923, 80.6%).

†Taxes 1926, \$7,927,642; 1925, \$7,049,363; 1924, \$6,189,994; 1923, \$6,872,810.

*This Net Income before deducting \$328 for sinking funds.

†After deducting \$292,271 Transportation for Investment—Cr.

Other Income above includes \$361,184 (1926, \$994,519; 1925, \$662,069) from Hire of Freight Cars, Cr. Bal., \$218,546 from Lease of Road, \$84,013 from Miscellaneous Rents, \$99,980 from Miscellaneous Non-operating Physical Property, \$750,000 (1926, none) from Separately Operated Properties—Profit, \$1,844,504 (1926, \$1,508,624; 1925, \$1,283,846) Income from Securities and Accounts, and \$1,550,884 (1926, \$1,837,718; 1925, \$1,442,271; 1924, \$1,292,653) from Dividends.

Equipment Dec. 31: Locos., 1,356; Pass., 1,005; Freight, 64,019.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	36.7%	36.0%	35.9%	37.0%	37.6%	37.4%
For Traffic, Transportation and General Expenses	39.1%	38.0%	38.3%	39.9%	40.7%	42.1%
For Fixed Charges	13.0%	13.2%	13.0%	12.7%	12.1%	12.0%
For Net Income	11.2%	12.8%	12.8%	10.4%	9.6%	8.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,654,292	2,638,342	2,480,400	2,221,290
Passenger miles per mile of road....	120,067	131,632	135,101	140,901
Miles, second and addit'l main track.	*499	*469	*455	...
Miles, yards and sidings.....	*2,330	*2,330	*1,950	...

*Owned.

See Notes, page 438.

LOUISVILLE, HENDERSON & ST. LOUIS RY.*(See Notes for Lease Proposed in 1928.)*

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	200	\$1,214,693	\$16,765	1921	200	\$2,866,380	\$134,870
1911-12	200	1,379,469	33,309	1922	200	3,274,808	442,284
1912-13	200	1,231,483	*73,620	1923	200	3,464,744	471,983
1913-14	200	1,371,798	81,775	1924	199	3,449,889	393,046
1914-15	200	1,397,190	81,245	1925	199	3,838,398	606,013
1915-16	200	1,617,244	179,820	1926	199	3,756,644	466,265
1917	200	2,226,650	362,417	1927	†199	4,127,232	614,799

*Deficit. †Includes 18 miles trackage.

***STOCK OUTSTANDING**

December 31, 1927

Common\$2,000,000
†Preferred (5%) 2,000,000

*Owned \$1,909,073 common and \$1,705,109 preferred stock by Louisville & Nashville R.R. †Non-cumulative.

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds (5%)\$3,200,000

CAPITALIZATION

	Total	Per Mile
Stock	\$4,000,000	\$20,100
Bonds	3,200,000	16,080
Total	7,200,000	36,180

Fixed Charges below include \$67,342 for Net Joint Facility Rents, \$45,581 (1926, \$17,799) for Net Equipment Rents, and \$9,280 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 199.	Total	Per Mile
Railway Operating Revenues	\$4,127,232	\$20,739
Railway Operating Expenses	3,016,916	15,160
Net Revenue from Railway Operations	1,110,316	5,579
Other Income (1926, \$34,117)	41,070	207
Gross Income	1,151,386	5,786
Fixed Charges (including for Taxes, \$253,745)†.....	536,587	2,697
Net Income (per Common Share, \$25.74)	614,799	3,089

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$824,444).....	\$743,616	\$3,736
Maintenance of Equipment (1926, \$565,752).....	637,692	3,205
Traffic Expenses	106,063	532
Transportation Expenses (1926, \$1,244,712)	1,373,732	6,904
Miscellaneous Operations and General Expenses	155,813	783

Operating Ratio 73.1% (1926, 76.0%; 1925, 70.8%; 1924, 76.5%; 1923, 73.5%).

†Taxes 1926, \$226,703; 1925, \$235,718; 1924, \$175,648; 1923, \$152,897.

Other Income above includes \$12,209 from Miscellaneous Rents, \$2,091 from Miscellaneous Non-operating Physical Property, and \$26,770 Income from Securities and Accounts.

Equipment Dec. 31: Locos., 42; Pass., 80; Freight, 706.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.1%	36.7%	32.8%	35.5%	35.6%	31.2%
For Traffic, Transportation and General Expenses	39.3%	38.6%	37.4%	40.2%	36.8%	38.2%
For Fixed Charges	12.8%	12.4%	14.1%	13.1%	14.2%	17.4%
For Net Income	14.8%	12.3%	15.7%	11.2%	13.4%	13.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,248,894	1,960,197	2,055,079	1,572,057
Passenger miles per mile of road....	95,456	105,031	107,238	113,916
Miles, yards and sidings	58	56	56	31

See Notes, page 442.

MISSISSIPPI CENTRAL R. R.

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1914-15	164	\$771,427	\$64,979	1923	257	\$1,796,191	\$136,297
1915-16	164	812,696	99,858	1924	†275	1,855,579	160,429
1917	164	974,750	157,868	1925	166	1,655,520	187,195
1921	199	1,184,495	†380,628	1926	161	1,688,878	139,407
1922	257	1,502,854	†85,287	1927	161	1,653,416	107,768

*After deductions (1927, \$115,399; 1926, \$109,509) for sinking fund. †Includes 26 miles leased from, and 43 miles trackage rights over, Gulf, Mobile & Northern R. R. (Hattiesburg, Miss., to Mobile, Ala.). The contract with G. M. & N. R.R. was cancelled August 15, 1924, and in January, 1925, Mississippi Central R.R. ceased operation to Mobile. ‡Deficit.

STOCK OUTSTANDING

December 31, 1927

Common\$3,940,000

BONDS OUTSTANDING

December 31, 1927

*First Mortgage (5%)\$2,730,900

†Notes 150,000

*Not including \$1,369,100 held alive in sinking fund.

†Due U. S. Lumber Co., Scranton, Pa., \$50,000 each January and July 1.

CAPITALIZATION

	Total	Per Mile
Stock	\$3,940,000	\$24,472
Bonds	2,880,900	17,894
Total	6,820,900	42,366

Fixed Charges below include \$115,399 (1926, \$109,509; 1925, \$104,166; 1924, \$98,738; 1923, \$93,406) for Sinking Fund.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 161.		
Railway Operating Revenues	\$1,653,416	\$10,270
Railway Operating Expenses	1,213,983	7,540
Net Revenue from Railway Operations	439,433	2,730
Other Income (1926, \$72,394)	42,335	263
Gross Income	481,768	2,993
Fixed Charges (including for Taxes, \$104,825)†.....	374,000	2,324
Net Income	107,768	669

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$243,223)	\$262,042	\$1,628
Maintenance of Equipment (1926, \$304,227)	317,860	1,974
Traffic Expenses	104,811	651
†Transportation Expenses (1926, \$465,282)	436,109	2,709
Miscellaneous Operations and General Expenses	93,161	578

Operating Ratio 78.4% (1926, 71.7%; 1925, 67.6%; 1924, 71.9%; 1923, 81.0%).

†Taxes 1926, \$121,299; 1925, \$131,985; 1924, \$100,470; 1923, \$62,328.

†After deducting \$4,407 Transportation for Investment—Cr.

Other Income above includes \$12,555 (1926, \$10,539; 1925, \$17,942; 1924, \$37,512) from Net Joint Facility Rents and \$23,336 (1926, \$56,113; 1925, \$51,422) from Net Hire of Equipment.

Equipment Dec. 31: Locos., 20; Pass., 19; Freight, 804.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.2%	31.1%	28.5%	33.5%	37.7%	33.1%
For Traffic, Transportation and General Expenses	37.4%	37.7%	36.2%	36.5%	40.8%	43.6%
For Fixed Charges	22.1%	23.3%	24.5%	21.6%	21.9%	23.8%
For Net Income	6.3%	7.9%	10.8%	8.4%	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	433,818	444,247	410,073	313,086
Pass. miles per mi. of road (150 mi.)	22,143	25,688	27,213	31,192
Miles, yards and sidings	30	30	30	31

See Notes, page 443.

MOBILE & OHIO R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	1,114	\$11,197,347	\$613,849	1921	1,165	\$18,190,180	†\$508,851
1911-12	1,114	11,207,732	424,071	1922	1,165	17,878,005	1,118,782
1912-13	1,119	12,877,650	641,870	1923	1,165	20,112,417	1,127,968
1913-14	1,123	12,975,431	85,109	1924	1,165	19,464,381	2,081,070
1914-15	1,123	10,982,149	328,668	1925	1,161	19,255,064	2,187,623
1915-16	1,123	11,868,038	853,130	1926	1,161	19,342,805	1,886,339
1917	1,160	13,604,506	1,393,691	1927	*1,161	18,055,294	1,349,667

*Includes 191 miles trackage and 38 operated under agreement. †Deficit; company's report showed \$201,705 Income, including \$705,556 on account claim under Government guaranty.

STOCK OUTSTANDING

December 31, 1927

*Common\$6,016,800

*Owned \$5,670,200 by Southern Ry.

BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$31,169,500
Equipment 6,740,000

CAPITALIZATION

	Total	Per Mile
Stock	\$6,016,800	\$5,182
Bonds	37,909,500	32,652
Total	43,926,300	37,834

Fixed Charges below include \$284,568 for Net Joint Facility Rents, \$160,805 (1926, \$194,486) for Net Hire of Equipment, and \$8,570 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,161.		
Railway Operating Revenues	\$18,055,294	\$15,551
Railway Operating Expenses	13,594,791	11,709
Net Revenue from Railway Operations	4,460,503	3,842
Other Income (1926, \$165,169)	213,468	183
Gross Income	4,673,971	4,025
Fixed Charges (including for Taxes, \$1,080,000)†.....	3,324,304	2,863
*Net Income (per Common Share, \$22.43)	1,349,667	1,162

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,858,604)	\$2,676,027	\$2,305
Maintenance of Equipment (1926, \$3,503,595)	3,149,553	2,712
Traffic Expenses	651,629	562
†Transportation Expenses (1926, \$6,637,028)	6,539,534	5,632
Miscellaneous Operations and General Expenses....	578,048	498

Operating Ratio 75.8% (1926, 73.5%; 1925, 72.1%; 1924, 73.4%; 1923, 78.7%).

†Taxes 1926, \$1,228,872; 1925, \$1,152,829; 1924, \$1,062,374; 1923, \$981,881.

*This Net Income before deducting \$722,016 for 12% dividends.

†After deducting \$55,242 Transportation for Investment—Cr.

Other Income above includes \$34,615 from Miscellaneous Rents, \$23,988 from Miscellaneous Non-operating Physical Property, \$147,352 Income from Securities and Accounts, and \$6,170 from Dividends.

Equipment Dec. 31: Locos., 227; Pass., 133; Freight, 8,529.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.8%	32.6%	31.4%	32.6%	36.4%	33.6%
For Traffic, Transportation and General Expenses	42.6%	40.3%	40.1%	40.4%	41.8%	43.3%
For Fixed Charges	18.2%	17.5%	17.3%	15.3%	16.2%	16.9%
For Net Income	7.4%	9.6%	11.2%	11.7%	5.6%	6.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,452,880	1,578,332	1,538,116	1,535,418
Passenger miles per mile of road....	35,604	38,284	42,348	47,432

See Notes, page 444.

NASHVILLE, CHATTANOOGA & ST. LOUIS RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	1,231	\$10,936,533	\$824,623	1923	1,258	\$24,801,787	\$1,628,806
1915-16	1,231	12,670,688	2,337,518	1924	1,259	23,601,646	1,955,509
1917	1,237	15,194,755	2,839,317	1925	1,259	24,000,050	2,529,042
1921	1,259	20,924,602	*259,802	1926	1,260	24,023,878	2,511,258
1922	1,259	22,353,763	1,680,522	1927	†1,260	22,905,626	2,325,821

*Deficit. †Includes 391 miles leased and 12 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common\$16,000,000

BONDS OUTSTANDING

December 31, 1927

†First 5s due 1928.....\$16,072,000

Equipment 1,892,000

*Owned \$11,484,100 by Louisville & Nashville R.R. †Not including \$1,028,000 in treasury.

CAPITALIZATION

	Total	Per Mile
Stock	\$16,000,000	\$12,698
Bonds	17,964,000	14,257
Total	33,964,000	26,955

Fixed Charges below include \$82,878 (1926, \$114,767; 1925, \$259,148) for Net Equipment Rents, \$271 for Miscellaneous Rents, \$7,229 for Separately Operated Properties—Loss, and \$806,506 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,260.		
Railway Operating Revenues	\$22,905,626	\$18,179
Railway Operating Expenses	18,282,454	14,510
Net Revenue from Railway Operations	4,623,172	3,669
Other Income (1926, \$468,214)	487,373	387
Gross Income	5,110,545	4,056
Fixed Charges (including for Taxes, \$960,997)†.....	2,784,724	2,210
Net Income (per Common Share, \$14.54).....	2,325,821	1,846

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,499,473)	\$3,124,693	\$2,480
Maintenance of Equipment (1926, \$5,001,608)	4,885,192	3,877
Traffic Expenses	998,498	793
†Transportation Expenses (1926, \$8,527,466)	8,250,589	6,548
Miscellaneous Operations and General Expenses....	1,023,482	812

Operating Ratio 79.8% (1926, 79.1%; 1925, 79.9%; 1924, 82.5%; 1923, 86.5%).

†Taxes 1926, \$1,075,000; 1925, \$759,516; 1924, \$651,900; 1923, \$701,900.

†After deducting \$21,475 Transportation for Investment—Cr.

Other Income above includes \$217,425 from Net Joint Facility Rents, \$60,090 from Lease of Road, \$21,216 from Miscellaneous Rents, \$20,908 from Miscellaneous Non-operating Physical Property, \$156,063 (1926, \$128,314) Income from Securities, and \$11,670 from Dividends.

Equipment Dec. 31: Locom., 265; Pass., 229; Freight, 8,490; Marine, 4.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.3%	34.7%	35.4%	37.1%	40.4%	38.2%
For Traffic, Transportation and General Expenses	43.9%	42.8%	42.7%	44.1%	43.5%	45.1%
For Fixed Charges	11.9%	12.2%	11.6%	10.7%	9.7%	9.4%
For Net Income	9.9%	10.3%	10.3%	8.1%	6.4%	7.3%

	1927	1926	1925	1924
Ton miles per mile of road.....	985,111	1,052,460	1,037,464	1,041,666
Passenger miles per mile of road....	90,053	102,462	112,003	108,701
Miles, second and addit'l main track.	59	59	60	60
Miles, yards and sidings	685	686	543	541

See Notes, page 445.

NEW ORLEANS & NORTHEASTERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1910-11	196	\$2,527,981	\$598,391	1921	208	\$6,829,586	†\$106,878
1911-12	196	2,765,754	438,884	1922	208	5,506,622	66,844
1912-13	196	2,764,458	448,866	1923	208	6,887,849	1,015,196
1913-14	196	2,975,710	196,429	1924	208	15,667,589	880,963
1914-15	196	2,486,255	271,956	1925	208	6,122,253	1,206,230
1915-16	196	2,781,662	750,855	1926	208	6,285,549	1,189,634
1917	204	4,969,265	1,185,478	1927	*204	5,758,052	761,204

*Including 8 miles trackage into New Orleans. †Deficit. ‡Decrease from 1923 due to change in accounting, whereby New Orleans Terminal Co. beginning 1924 received a proportion of gross revenues on traffic handled, its expenses formerly having been included in those of N. O. & N. E. R.R. for which the latter was partly reimbursed by contributions from other companies sharing use of the terminal facilities.

STOCK OUTSTANDING

December 31, 1927

*Common\$8,000,000
 *Owned \$5,969,600 by Southern Ry.

BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$8,566,000

CAPITALIZATION

	Total	Per Mile
Stock	\$8,000,000	\$29,412
Bonds	8,566,000	41,990
Total	14,566,000	71,402

Fixed Charges below include \$464,198 (1926, \$409,892; 1925, \$295,503) for Hire of Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 204.		
Railway Operating Revenues	\$5,758,052	\$28,226
Railway Operating Expenses	3,824,101	18,746
Net Revenue from Railway Operations	1,933,951	9,480
Other Income (1926, \$222,458)	211,857	1,039
Gross Income	2,145,808	10,519
Fixed Charges (including for Taxes, \$522,379)†.....	1,384,604	6,787
*Net Income (per Common Share, \$12.69).....	761,204	3,732

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$795,918)	\$794,479	\$3,895
Maintenance of Equipment (1926, \$979,503)	928,758	4,553
Traffic Expenses	150,862	740
†Transportation Expenses (1926, \$1,804,298)	1,709,183	8,378
Miscellaneous Operations and General Expenses	240,819	1,180

Operating Ratio 66.4% (1926, 62.1%; 1925, 61.1%; 1924, 68.8%; 1923, 76.7%).

†Taxes 1926, \$645,024; 1925, \$655,201; 1924, \$464,836; 1923, \$592,890.

*This Net Income before deducting \$540,000 for dividends.

†After deducting \$956 Transportation for Investment—Cr.

Other Income above includes \$33,403 from Net Joint Facility Rents, \$21,588 from Miscellaneous Rents, \$8,674 from Miscellaneous Non-operating Physical Property, and \$147,253 (1926, \$156,210) Income from Securities and Accounts. Equipment Dec. 31: Locos., 68; Pass., 40; Freight, 1,378.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	23.9%	26.9%	26.5%	31.5%	31.3%	33.9%
For Traffic, Transportation and General Expenses	35.2%	33.1%	32.9%	35.8%	38.0%	47.1%
For Fixed Charges	23.2%	22.0%	21.5%	17.5%	17.4%	17.9%
For Net Income	12.7%	18.0%	19.1%	15.2%	13.3%	1.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,367,214	2,555,951	2,428,165	2,248,645
Passenger miles per mile of road....	149,904	148,602	143,798	148,704
Miles, second and addit'l main track.	25	25	25	25
Miles, yards and sidings	137	131	*128	191

*Decrease due to exclusion of N. O. Terminal trackage.

See Notes, page 446.

NEW ORLEANS GREAT NORTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	285	\$1,916,218	\$252,957	1924	275	\$2,925,031	\$79,591
1921	275	2,528,529	†405,767	1925	275	2,905,044	162,058
1922	275	2,547,750	186,570	1926	275	3,171,232	177,877
1923	275	2,841,010	261,991	1927	*277	3,309,494	144,009

*Includes 87 miles trackage. †Deficit.

STOCK OUTSTANDING

December 31, 1927

Common\$7,500,000

Loans and Bills Payable, December 31, 1927, \$252,996.

BONDS OUTSTANDING

December 31, 1927

First Mortgage (5%)\$8,248,000

CAPITALIZATION

	Total	Per Mile
Stock	\$7,500,000	\$27.076
Bonds	8,248,000	29.776
Total	15,748,000	56.852

Fixed Charges below include \$67,797 for Net Joint Facility Rents, \$152,048 (1926, \$90,882) for Net Hire of Equipment, and \$20,120 for Discount on Securities Issued.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 277.		
Railway Operating Revenues	\$3,309,494	\$11.948
Railway Operating Expenses	2,335,243	8.430
Net Revenue from Railway Operations.....	974,251	3.518
Other Income (1926, \$20,203)	11,465	41
Gross Income	985,716	3.559
Fixed Charges (including for Taxes, \$184,236)†.....	841,707	3.039
Net Income (per Common Share, \$1.92).....	144,009	520

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$421,837)	\$514,502	\$1.857
Maintenance of Equipment (1926, \$648,743)	637,626	2.302
Traffic Expenses	122,335	442
†Transportation Expenses (1926, \$908,332)	924,754	3.338
Miscellaneous Operations and General Expenses.....	136,026	491

Operating Ratio 70.6% (1926, 69.6%; 1925, 68.6%; 1924, 69.3%; 1923, 67.8%).

†Taxes 1926, \$207,559; 1925, \$213,448; 1924, \$245,684; 1923, \$195,831.

†After deducting \$7,614 Transportation for Investment—Cr.

Other Income above includes \$10,256 (1926, \$18,778) from Interest.

Equipment Dec. 31: Locos., 28; Pass., 31, incl. 2 motor cars; Freight, 1,486.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.7%	33.5%	31.7%	31.4%	30.1%	28.0%
For Traffic, Transportation and General Expenses	35.6%	35.6%	36.6%	37.8%	36.9%	38.6%
For Fixed Charges	25.3%	25.3%	26.1%	28.1%	23.9%	26.1%
For Net Income	4.4%	5.6%	5.6%	2.7%	9.1%	7.3%

	1927	1926	1925	1924
Ton miles per mile of road (267 mi.)	612,262	548,411	462,776	501,810
Pass. miles per mile of road (273 mi.)	45,574	51,984	51,140	56,197
Miles, yards and sidings	75	66	68	65

See Notes, page 447.

TENNESSEE CENTRAL RY.*(Succeeded to Railroad Co. February 1, 1922)*

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
*1922	288	\$2,333,534	\$22,095	1925	296	\$3,197,233	\$193,954
1923	288	3,055,803	169,046	1926	296	3,238,513	79,487
1924	297	2,912,793	193,453	1927	296	3,279,560	104,893

*Eleven months.

STOCK OUTSTANDING

December 31, 1927

*Common (no par)....60,000 shares

†Preferred (7%)\$500,000

*Issued in 1926 in exchange for \$3,000,000 stock of \$100 par value. †Cumulative; sold in 1926. †Including \$1,500,000 sold in 1926 in retirement of \$1,500,000 6% note to U. S. Government. Not including \$285,000 owned unpledged and \$125,000 pledged. †Not including \$260,000 pledged.

Loans and Bills Payable, December 31, 1927, \$100,000.

BONDS OUTSTANDING

December 31, 1927

†First Mortgage (6%)\$3,000,000

‡Equipment 630,000

CAPITALIZATION

	Total	Per Mile
Preferred Stock	\$500,000	\$1.689
Bonds	3,630,000	12.263
Total	4,130,000	13.952

Fixed Charges below include \$6,439 for Net Joint Facility Rents, \$195,966 (1926, \$254,160; 1925, \$262,334) for Hire of Freight Cars, Dr. Bal., \$67,160 for Rent for Leased Roads and \$5,549 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 296.	Total	Per Mile
Railway Operating Revenues.....	\$3,279,560	\$11.079
Railway Operating Expenses.....	2,628,542	8.880
Net Revenue from Railway Operations.....	651,018	2.199
Other Income (1926, \$38,071).....	22,930	77
Gross Income	673,948	2.276
Fixed Charges (including for Taxes, \$72,601)†.....	569,055	1.923
*Net Income	104,893	354

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$670,212)	\$663,833	\$2.242
Maintenance of Equipment (1926, \$505,249).....	503,205	1.700
Traffic Expenses	108,061	365
†Transportation Expenses (1926, \$1,162,956)	1,200,580	4.056
Miscellaneous Operations and General Expenses.....	152,863	517

Operating Ratio 82.2% (1926, 79.8%; 1925, 75.6%; 1924, 75.6%).

†Taxes 1926, \$69,581; 1925, \$82,209; 1924, \$79,147; 1923, \$75,556.

*According to company report, \$36,799; subsequently \$68,094 charged to Operating Expenses for retirement of equipment in 1927 was allowed as a debit to Profit and Loss account.

†After deducting \$3,248 Transportation for Investment—Cr.

Other Income above includes \$4,884 Net Rent from Equipment other than Freight Cars, \$9,055 from Miscellaneous Rents, \$930 from Miscellaneous Non-operating Physical Property, and \$8,009 (1926, \$22,249) Income from Securities, Accounts, and Funds.

Equipment Dec. 31: Locos., 44; Pass., 33; Freight, 662.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923
For Maintenance Expenses.....	35.3%	35.9%	32.5%	31.6%	33.4%
For Traffic, Transportation and General Expenses	44.3%	43.0%	42.7%	43.6%	44.4%
For Fixed Charges	17.2%	18.7%	18.8%	18.2%	16.7%
For Net Income.....	3.2%	2.4%	6.0%	6.6%	5.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	705,547	674,323	641,047	494,766
Passenger miles per mile of road....	26,068	32,787	38,407	43,713
Miles, industrial tracks	50	48	47	47
Miles, yards and sidings	47	46	45	45

See Notes, page 448.

WESTERN RY. OF ALABAMA

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	133	\$1,412,153	\$295,462	1922	133	\$2,741,539	\$445,985
1913-14	133	1,511,085	302,065	1923	133	3,042,221	392,121
1914-15	133	1,252,293	128,066	1924	133	3,159,930	678,117
1915-16	133	1,308,758	270,040	1925	133	3,392,382	828,023
1917	133	1,725,860	383,646	1926	133	3,344,018	602,072
1921	133	2,530,457	168,048	1927	133	3,187,850	544,801

STOCK OUTSTANDING

December 31, 1927

Common\$3,000,000

BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$1,543,000

CAPITALIZATION

	Total	Per Mile
Stock	\$3,000,000	\$22,556
Bonds	1,543,000	11,602
Total	4,543,000	34,158

Fixed Charges below include \$305 (1926, \$13,092) for Hire of Freight Cars, Dr. Bal.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 133.		
Railway Operating Revenues	\$3,187,850	\$23,969
Railway Operating Expenses	2,409,807	18,119
Net Revenue from Railway Operations	778,043	5,850
Other Income (1926, \$55,867)	80,873	608
Gross Income	858,916	6,458
Fixed Charges (including for Taxes, \$220,400)†.....	314,115	2,362
Net Income (per Common Share, \$18.16).....	544,801	4,096

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$465,286)	\$400,017	\$3,008
Maintenance of Equipment (1926, \$651,507)	630,301	4,739
Traffic Expenses	146,094	1,098
†Transportation Expenses (1926, \$1,026,068)	1,021,266	7,679
Miscellaneous Operations and General Expenses.....	212,129	1,595

Operating Ratio 75.6% (1926, 74.4%; 1925, 68.1%; 1924, 72.3%; 1923, 76.2%).

†Taxes 1926, \$197,876; 1925, \$211,269; 1924, \$149,419; 1923, \$176,653.

†After deducting \$8,140 Transportation for Investment—Cr.

Other Income above includes \$35,155 from Net Joint Facility Rents, \$1,109 Net Rent from Other Equipment, \$2,906 from Lease of Road, \$13,992 from Miscellaneous Rents, \$2,997 from Miscellaneous Non-operating Physical Property, and \$24,409 (1926, \$27,647) Income from Securities and Accounts.

Equipment Dec. 31: Locos., 29; Pass., 23; Freight, 885.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.5%	32.8%	28.4%	30.7%	34.4%	31.5%
For Traffic, Transportation and General Expenses	42.2%	40.3%	37.8%	39.4%	39.3%	39.7%
For Fixed Charges	9.6%	9.2%	10.1%	9.1%	13.8%	13.4%
For Net Income	16.7%	17.7%	23.7%	20.8%	12.5%	15.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,075,171	1,157,484	1,120,795	993,767
Passenger miles per mile of road....	143,514	160,869	162,191	172,412
Miles, yards and sidings.....	67	68	69	66

See Notes, page 449.

ATCHISON, TOPEKA & SANTA FE RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	10,750	\$116,896,252	\$22,153,734	1922	11,701	\$225,124,544	\$34,882,871
1913-14	10,909	111,109,770	20,183,965	1923	11,782	238,683,735	42,087,801
1914-15	11,115	117,665,587	24,130,862	1924	11,831	235,410,952	42,151,807
1915-16	11,247	123,762,892	32,579,735	1925	11,954	236,942,529	46,157,934
1917	11,284	165,529,519	38,185,548	1926	12,121	259,040,316	60,631,495
1921	11,678	228,925,070	33,542,948	1927	*12,321	255,617,824	49,754,117

*Of 12,850 miles of main line operated December 31, 1927, 12,127 were owned.

STOCK OUTSTANDING

December 31, 1927

*Common	\$232,409,500
†Preferred (5%)	124,172,800

*Not including \$9,296,400 offered for subscription at 100 in 1928 of which the proceeds were applied to payment of \$10,019,000 maturing bonds. †Non-cumulative. ‡Not including \$1,024,600 bonds in treasury.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$277,125,920
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CAPITALIZATION

	Total	Per Mile
Stock	\$356,582,300	\$28,941
Bonds	277,125,920	22,492
Total	633,708,220	51,433

Fixed Charges below include \$2,155,636 (1926, \$2,487,611; 1925, \$1,828,693; 1924, income, \$551,912) for Net Equipment Rents, \$708,264 for Net Joint Facility Rents, \$106,275 for Miscellaneous Rents, and \$10,878 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 12,321.	Total	Per Mile
Railway Operating Revenues	\$255,617,824	\$20,746
Railway Operating Expenses	178,240,266	14,466
Net Revenue from Railway Operations	77,377,558	6,280
Other Income (1926, \$6,186,796)	6,444,856	523
Gross Income	83,822,414	6,803
Fixed Charges (including for Taxes, \$19,865,473)†.....	34,068,297	2,765
*Net Income (per Common Share, \$18.73)	49,754,117	4,038

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$34,656,075)	\$41,813,137	\$3,393
Maintenance of Equipment (1926, \$47,423,683)	50,838,496	4,126
Traffic Expenses	5,578,245	453
†Transportation Expenses (1926, \$75,904,276)	73,759,265	5,987
Miscellaneous Operations and General Expenses.....	6,251,123	507

Operating Ratio 69.7% (1926, 65.1%; 1925, 69.0%; 1924, 72.3%; 1923, 72.5%).

†Taxes 1926, \$20,986,148; 1925, \$17,565,042; 1924, \$17,730,961; 1923, \$20,316,491.

*This Net Income before deducting \$69,228 for sinking funds and \$29,449,590 for dividends.

†After deducting \$1,732,191 Transportation for Investment—Cr.

Other Income above includes \$209,813 from Lease of Road, \$551,522 from Miscellaneous Rents, \$185,798 from Miscellaneous Non-operating Physical Property, \$2,973,263 (1926, \$2,491,215; 1925, \$1,851,089; 1924, \$4,225,597) income from Securities and Accounts, and \$2,473,287 (1926, \$2,822,822; 1925, \$3,461,980; 1924, \$1,559,083; 1923, \$2,507,733; 1922, \$3,141,733) from Dividends.

Equipment Dec. 31: Locos., 2,064; Pass., 1,483; Freight, 83,090; Floating, 13.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	35.3%	30.9%	33.4%	36.9%	36.8%	37.5%
For Traffic, Transportation and General Expenses	32.7%	32.7%	34.0%	33.3%	33.0%	34.2%
For Fixed Charges	13.0%	13.5%	13.6%	12.4%	13.2%	13.5%
For Net Income	19.0%	22.9%	19.0%	17.4%	17.0%	14.8%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,318,735	1,345,927	1,159,561	1,105,644
Passenger miles per mile of road....	108,810	114,473	117,907	127,637
Miles, second and addit'l main track.	1,779	1,658	1,642	1,641
Miles, yards and sidings	5,627	5,406	5,148	5,015

See Notes, page 450.

CHICAGO, ROCK ISLAND & PACIFIC RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	8,330	\$70,947,890	†\$734,677	1923	8,096	\$130,403,086	\$4,481,502
1915-16	8,098	75,346,967	†5,011,681	1924	8,073	130,880,512	6,835,221
1917	8,218	89,608,722	7,527,145	1925	8,028	130,683,246	**6,966,132
1921	8,123	139,272,024	5,780,260	1926	8,024	137,911,415	11,515,881
1922	8,116	125,086,233	4,285,379	1927	*8,052	140,086,991	12,564,830

*Including 2,106 miles branches and spurs, 1,798 leased, and 454 miles operated under contract or trackage rights. †Deficit. ‡Approximate, based on capitalization of reorganized company; receivership ended June 25, 1917. **Not including \$2,461,268 profit from sale of St. Louis Southwestern Ry. stock.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$74,482,523
Preferred (7%)	29,422,189
Preferred (6%)	25,127,300

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest.....	\$247,417,030
Equipment	26,132,000
Notes due 1929.....	15,000,000
†Other	87,100

*Not including \$517,477 common stock unpledged in treasury. The preferred stocks are cumulative to extent of 5%, the 7% preferred having priority over the 6% preferred to extent of 1%. The 7% preferred is redeemable at 105 and the 6% at 102. †Not including \$11,149,000 bonds owned unpledged and \$52,535,000 pledged. ‡Non-negotiable debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$623,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$129,032,012	\$16,024
Bonds	288,636,130	35,847
Total	417,668,142	51,871

Fixed Charges include \$1,202,300 for Net Joint Facility Rents, \$4,104,905 (1926, \$3,761,215; 1925, \$3,328,423) for Hire of Freight Cars, Dr. Bal., \$30,009 Net Rent for Other Equipment and \$158,057 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 8,052.		
Railway Operating Revenues	\$140,086,991	\$17,397
Railway Operating Expenses	103,333,050	12,833
Net Revenue from Railway Operations	36,753,941	4,564
Other Income (1926, \$957,835)	1,166,995	145
Gross Income	37,920,936	4,709
Fixed Charges (including for Taxes, \$7,935,957)†.....	25,856,106	3,149
*Net Income (per Common Share, \$12.08)	12,564,830	1,560

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$17,145,109)	\$18,585,993	\$2,308
Maintenance of Equipment (1926, \$28,607,808).....	27,586,675	3,426
Traffic Expenses	3,012,323	374
†Transportation Expenses (1926, \$48,979,126)	49,066,429	6,094
Miscellaneous Operations and General Expenses.....	5,081,630	631

Operating Ratio 78.8% (1926, 74.6%; 1925, 77.2%; 1924, 77.3%; 1923, 80.5%).

†Taxes 1926, \$7,490,680; 1925, \$7,037,771; 1924, \$6,571,087; 1923, \$5,600,634.

*Before deducting \$3,567,185 preferred and \$3,717,900 common dividends.

†After deducting \$1,567,878 Transportation for Investment—Cr.

Other Income above includes \$278,295 from Miscellaneous Rents, and \$857,530 (1926, \$716,973; 1925, \$1,001,916) Miscellaneous Income.

Equipment Dec. 31: Locos., 1,588; Pass., 1,098; Freight, 44,985.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.7%	32.9%	33.3%	32.7%	34.2%	33.3%
For Other Oper. Exp.....	40.5%	41.1%	43.1%	44.3%	45.9%	46.7%
For Fixed Charges	17.9%	17.7%	18.3%	17.8%	16.5%	16.6%
For Net Income	8.9%	8.3%	5.3%	5.2%	3.4%	3.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,066,730	1,036,501	985,632	972,831
Passenger miles per mile of road....	94,898	98,715	101,557	103,921
Miles, second and addit'l main track.	552	527	529	500
Miles, yards and sidings	2,627	2,560	2,530	2,505

See Notes, page 455.

COLORADO & SOUTHERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	1,850	\$15,077,677	\$1,665,813	1922	1,812	\$24,828,762	\$1,757,278
1913-14	1,867	13,232,737	496,151	1923	1,825	22,880,230	1,924,546
1914-15	1,849	14,172,978	615,149	1924	1,820	25,946,721	4,055,871
1915-16	1,836	15,707,311	2,222,864	1925	1,805	25,654,155	2,665,989
1917	1,841	18,085,311	2,907,888	1926	1,820	26,172,846	4,548,087
1921	1,849	26,281,289	2,908,981	1927	1,825	27,240,652	2,278,446

*Colorado & Southern Lines, including 46 miles of branches and 170 miles operated under lease, contract or trackage rights.

*STOCK OUTSTANDING

December 31, 1927

(Colorado & Southern Ry.)

Common	\$21,900,000
Preferred, 1st (4%)	8,500,000
Preferred, 2nd (4%)	8,500,000

*Owned \$1,130,000 first and \$6,075,700 second preferred and \$21,497,500 common stock by Chicago, Burlington & Quincy R. R. Preferred stocks are non-cumulative. †Not including \$22,136,306 held by or for company. In 1921, \$3,011,000, in 1923, \$2,101,000, and in 1927, \$1,000 First Mortgage as due 1929 were acquired for the treasury, leaving \$12,282,400 outstanding.

*BONDS OUTSTANDING

December 31, 1927

(Colorado & Southern Lines)

Fixed Interest	\$49,704,900
Equipment	2,078,900

CAPITALIZATION

	Total	Per Mile
Stock	\$41,900,000	\$22.301
Bonds	51,783,800	28.291
Total	93,683,800	50.592

Fixed Charges below include \$174,896 (1926, \$179,000) for Net Joint Facility Rents, \$186,134 (1926, \$208,984; 1927, \$211,425; 1928, \$204,741) for Net Rent of Equipment, and \$31,419 for Amortization of Discount on Fixed Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated 1,831		
Railway Operating Revenues	\$27,241,552	\$14.88
Railway Operating Expenses	2,206,886	1.20
Net Revenue from Railway Operations	25,034,666	13.68
Other Income (Net, \$741,217)	741,217	.40
Gross Income	25,775,883	14.08
Fixed Charges (including for Taxes, \$1,465,880)	4,541,781	2.48
*Net Income	21,234,102	11.60

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (Net, \$2,254,422)	\$2,254,422	\$1.23
Maintenance of Equipment (Net, \$1,351,111)	1,351,111	.73
Traffic Expenses	45,352	.02
*Transportation Expenses (Net, \$1,022,880)	1,022,880	.56
Miscellaneous Operations and General Expenses	1,233,103	.67

Operating Ratio 74.2% (Net 65.4%; 1926, 61.2%; 1927, 65.4%; 1928, 78.4%.)
 Taxes 1926, \$1,701,417; 1927, \$1,437,708; 1928, \$1,511,187; 1929, \$1,511,236.

*This Net Income before deducting \$1,465,880 for dividends.

†After deducting \$274,145 Transportation for Government.

Other Income above includes \$34,145 from Miscellaneous Rents and \$200,117 (1926, \$200,390; 1927, \$200,100) from Dividends and Miscellaneous Interest.
 Equipment Tax, 1926, \$24; 1927, \$27; 1928, \$21, 721.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	\$2,254,422	\$2,254,422	\$2,254,422	\$2,254,422	\$2,254,422	\$2,254,422
For Other Oper. Exp.	1,351,111	1,351,111	1,351,111	1,351,111	1,351,111	1,351,111
For Fixed Charges	4,541,781	4,541,781	4,541,781	4,541,781	4,541,781	4,541,781
For Net Income	21,234,102	21,234,102	21,234,102	21,234,102	21,234,102	21,234,102

Ton miles per mile of road	282,587	282,587	282,587	282,587	282,587	282,587
Passenger miles per mile of road	72,487	72,487	72,487	72,487	72,487	72,487
Miles, second and additional main track	7	7	7	7	7	7
Miles, yards and sidings	302	302	302	302	302	302

See Notes, page 400.

DENVER & RIO GRANDE WESTERN R. R.

(Receiver Discharged December 30, 1934)

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1917	2,100	\$22,422,126	\$2,798,795	1924	2,419	\$23,821,888	\$2,287,260
1918	2,100	22,671,419	2,444,698	1925	2,571	22,679,495	2,361,085
1919	2,100	22,259,880	221,529	1926	2,602	24,099,890	4,009,117
1920	2,204	24,287,494	2,154,910	1927	22,902	22,121,189	2,775,290

*Before allowing \$700,000 (\$677,419 for period to December 30, 1924) interest on Adjustment bonds in each year prior to 1925. †Including 243 miles narrow gauge and 123 miles trackage rights. ‡Deficit.

STOCK OUTSTANDING

December 31, 1927

*Common (no par)...200,000 shares
 †Preferred (6%)\$1,400,000
 ‡Gen Mtgs. Bonds (5%)...20,000,000

BONDS OUTSTANDING

December 31, 1927

(Fixed Interest)\$1,112,000
 Equipment6,880,000

*Missouri Pacific R.R. and Western Pacific R.R. Corp. each owns one-half.
 †Cumulative from February 1, 1924, no dividends paid. ‡Income, cumulative from February 1, 1924 to February 1, 1929, interest obligatory thereafter. \$700 including \$2,880,000 4% mortgage bonds owned unpledged.

CAPITALIZATION

	Total	Per Mile
Preferred Stock and Income Bonds	\$45,282,000	\$18,117
Bonds	87,642,000	34,226
Total	132,924,000	52,343

Fixed Charges below include \$102,228 for Rent for Leased Roads and \$2,000,871 (1926, \$2,000,848, 1928, \$2,010,250) for interest on Funded Debt. No interest was accrued or paid on the General Mortgage bonds.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 2,551.		
Railway Operating Revenues	\$22,121,100	\$12,972
Railway Operating Expenses	20,079,214	8,288
Net Revenue from Railway Operations	2,041,886	2,150
Other Income (1928, \$261,277)	261,274	273
Gross Income	2,303,177	2,423
Fixed Charges (including for Taxes, \$2,200,000).....	6,217,271	2,436
*Net Income	2,775,290	1,086

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1928, \$5,200,205)	\$4,742,421	\$2,014
Maintenance of Equipment (1928, \$4,262,156)	4,164,969	2,292
Traffic Expenses	677,267	260
Transportation Expenses (1928, \$10,124,250)	9,548,600	2,207
Miscellaneous Operations and General Expenses.....	1,604,169	622

Operating Ratio 75.7% (1926, 73.3%, 1928, 72.7%, 1924, 84.6%, 1922, 84.6%)
 †Taxes 1926, \$2,430,000, 1928, \$2,316,002, 1924, \$1,980,230, 1922, \$1,982,110.

*This Net Income before deducting \$485,000 for equipment trust sinking fund and \$200,000 for General Mortgage sinking fund.

†After deducting \$120,000 Transportation for Investment—Cr.
 Other income above includes \$267,979 (1928, \$130,640) from Hire of Freight Cars, Cr. Bal. \$161,200 (1928, \$204,854) Net Rent from Other Equipment, \$220,997 from Net Joint Facility Rents, \$91,540 from Miscellaneous Rents and \$104,942 (1928, \$120,755) Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locom., 422, Pass., 226, Freight 16,022.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses ..	37.7%	34.8%	34.3%	45.5%	48.1%	37.1%
For Other Oper. Exp.....	25.2%	26.7%	26.3%	29.6%	42.1%	40.6%
For Fixed Charges	12.3%	17.9%	18.3%	28.6%	21.6%	21.3%
For Net Income.....	2.5%	11.6%	9.3%	Deficit	Deficit	1.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	797,700	708,651	721,608	621,000
Passenger miles per mile of road....	67,608	67,610	74,328	75,200
Miles, second and addit'l main track.	216	216	216	210
Miles, yards and sidings	206	207	276	277

See Notes, page 462.

DENVER & SALT LAKE RY.*(Reorganization Effective in 1927)*

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1924	255	\$3,350,614	*\$99,425	1926	255	\$4,268,447	\$418,015
1925	255	3,889,320	533,322	1927	255	4,110,286	626,875

*Deficit.

STOCK OUTSTANDING

December 31, 1927

Common (no par).....50,000 shares
 *Income Mortgage (6%)..\$11,000,000

BONDS OUTSTANDING

December 31, 1927

First Mortgage (6%).....\$2,500,000

*Interest payable, if earned, in multiples of 1% from not exceeding 75% of net income; cumulative at the rate of 75% of net income as a charge prior to dividends on the stock, redeemable at 102.

CAPITALIZATION

	Total	Per Mile
Income Bonds.....	\$11,000,000	\$43,137
Bonds	2,500,000	9,804
Total	13,500,000	52,941

Fixed Charges below include \$2,810 (1926, \$37,590; 1925, \$28,246) for Net Equipment Rentals, and \$633,500 Interest on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 255.	Total	Per Mile
Railway Operating Revenues.....	\$4,110,286	\$16,119
Railway Operating Expenses.....	3,375,502	13,237
Net Revenue from Railway Operations.....	734,784	2,882
Other Income (1926, \$36,713).....	123,304	483
Gross Income	858,088	3,365
Fixed Charges (including for Taxes, \$87,730)†.....	231,213	907
*Net Income	626,875	2,458

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,289,399).....	\$1,108,933	\$4,348
Maintenance of Equipment (1926, \$1,323,389).....	1,217,467	4,774
Traffic Expenses	21,636	85
†Transportation Expenses (1926, \$976,842).....	905,146	3,550
Miscellaneous Operations and General Expenses.....	122,320	480

Operating Ratio 82.1% (1926, 87.8%; 1925, 80.8%; 1924, 96.5%; 1923, 93.8%).

†Taxes 1926, \$71,629; 1925, \$70,688; 1924, \$104,168; 1923, \$106,744.

*Before deducting \$495,000 for 4½% interest on Income bonds.

†After deducting \$14,276 Transportation for Investment—Cr.

Equipment Dec. 31: Locos., 56; Pass., 28; Freight, 1,064.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924
For Maintenance Expenses:.....	54.9%	60.7%	50.7%	62.2%
For Traffic, Transportation and General Expenses	24.8%	25.9%	28.7%	32.8%
For Fixed Charges.....	5.5%	3.7%	7.0%	7.9%
For Net Income.....	14.8%	9.7%	13.6%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	825,374	869,709	792,391	641,737
Passenger miles per mile of road....	22,574	23,180	23,463	24,510
Miles, yards and sidings.....	54	60	.....	.....

See Notes, page 469.

INTERNATIONAL-GREAT NORTHERN R. R.

(In Receivership August 10, 1914—December 1, 1922)

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1922	1,160	\$14,674,116	\$247,518	1925	1,160	\$17,083,748	\$1,127,461
1923	1,160	15,806,608	1,111,511	1926	1,160	19,245,644	1,364,650
1924	1,160	16,901,447	1,453,413	1927	*1,160	18,428,470	713,950

*Including 54 miles trackage rights. †Before interest payments on Adjustment bonds.

STOCK OUTSTANDING

December 31, 1927

*Common	\$7,500,000
†Adjustment Bonds (6%)..	17,000,000

BONDS OUTSTANDING

December 31, 1927

†First Mortgage	\$23,250,000
Equipment	3,419,000
§Other	790,000

*Owned all by New Orleans, Texas & Mexico Ry. †Redeemable at par; interest cumulative from January 1, 1928. ‡\$17,250,000 Series A 6%, due 1952, redeemable at 107½, and \$6,000,000 Series B 5%, due 1956, redeemable at 102½; not including \$4,906,000 Series B bonds held by or for company. §Non-negotiable debt.

Loans and Bills Payable, December 31, 1927, \$2,550,000.

CAPITALIZATION

	Total	Per Mile
Stock and Income Bonds	\$24,500,000	\$21,120
Bonds	27,459,000	23,672
Total	51,959,000	44,792

Fixed Charges below include \$92,811 for Net Joint Facility Rents, \$575,047 (1926, \$874,188) for Hire of Freight Cars, Dr. Bal., \$119,854 Net Rent for Other Equipment, and \$3,084 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,160.		
Railway Operating Revenues	\$18,428,470	\$15,887
Railway Operating Expenses	14,954,672	12,892
Net Revenue from Railway Operations	3,473,798	2,995
Other Income (1926, \$111,554)	69,172	60
Gross Income	3,542,970	3,055
Fixed Charges (including for Taxes, \$496,515)†.....	2,829,020	2,439
*Net Income	713,950	616

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,404,365)	\$3,266,301	\$2,816
Maintenance of Equipment (1926, \$3,330,133)	3,273,793	2,822
Traffic Expenses	438,423	378
†Transportation Expenses (1926, \$7,117,740)	7,101,519	6,122
Miscellaneous Operations and General Expenses.....	874,636	754

Operating Ratio 81.2% (1926, 78.3%; 1925, 79.1%; 1924, 76.7%; 1923, 79.3%).

†Taxes 1926, \$543,291; 1925, \$516,138; 1924, \$555,456; 1923, \$485,295.

*This Net Income before deducting \$680,000 for 4% interest paid on Adjustment bonds.

†After deducting \$255,343 Transportation for Investment—Cr.

Other Income above includes \$35,592 from Miscellaneous Rents, \$9,403 from Miscellaneous Non-operating Physical Property, and \$29,843 Income from Unfunded Securities.

Equipment Dec. 31: Locos., 166; Pass., 140; Freight, 5,710.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	35.4%	34.8%	34.7%	35.2%	35.7%	34.5%
For Traffic, Transportation and General Expenses	45.5%	43.1%	43.9%	41.0%	42.8%	48.4%
For Fixed Charges	15.3%	15.0%	14.9%	15.2%	14.5%	15.4%
For Net Income	3.8%	7.1%	6.5%	8.6%	7.0%	1.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	803,443	769,211	668,405	622,651
Passenger miles per mile of road....	68,522	67,855	59,938	66,108
Miles, yards and sidings	418	399	386	363

See Notes, page 470.

KANSAS CITY SOUTHERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	827	\$10,706,309	\$1,646,206	1922	842	\$20,361,180	\$1,586,531
1913-14	827	10,993,454	1,725,449	1923	842	22,485,099	1,757,633
1914-15	837	10,035,896	1,140,431	1924	854	21,024,012	1,981,804
1915-16	837	10,583,630	1,731,716	1925	865	21,165,155	2,113,299
1917	837	13,547,487	2,624,143	1926	865	21,921,946	2,279,832
1921	842	21,840,439	2,487,526	1927	*865	22,048,606	1,897,667

*Including 70 miles branch lines and 18 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

Common	\$29,959,900
*Preferred (4%)	21,000,000

†BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$61,000,000
Equipment	1,696,800
Other	9,142

*Non-cumulative. †Not including \$13,830,612 (1926, \$14,076,892) "liabilities and commitments in connection with securities in course of acquisition" which latter were carried at \$25,268,610 among assets; see Notes.

CAPITALIZATION

	Total	Per Mile
Stock	\$50,959,900	\$58,913
Bonds	62,705,942	72,492
Total	113,665,842	131,405

Fixed Charges below include \$92,743 (1926, \$90,222) for Net Joint Facility Rents, \$968,932 (1926, \$764,831) for Hire of Freight Cars, Dr. Bal., \$50,178 Net Rent for Other Equipment, \$171,814 for Rent for Leased Roads and \$6,511 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 865.		
Railway Operating Revenues	\$22,048,606	\$25,490
Railway Operating Expenses	14,764,491	17,069
Net Revenue from Railway Operations	7,284,115	8,421
Other Income (1926, \$712,267)	364,863	422
Gross Income	7,648,978	8,843
Fixed Charges (including for Taxes, \$1,396,770)†.....	5,751,311	6,649
*Net Income (per Common Share, \$3.53)	1,897,667	2,194

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,506,165)	\$2,603,629	\$3,010
Maintenance of Equipment (1926, \$3,523,780)	3,496,471	4,042
Traffic Expenses	716,772	829
†Transportation Expenses (1926, \$6,736,091)	6,758,626	7,813
Miscellaneous Operations and General Expenses	1,188,993	1,375

Operating Ratio 67.0% (1926, 66.4%; 1925, 68.9%; 1924, 72.6%; 1923, 74.3%).

†Taxes 1926, \$1,437,017; 1925, \$1,350,568; 1924, \$1,280,811; 1923, \$1,435,907.

*This Net Income before deducting \$840,000 for preferred dividends.

†After deducting \$27,158 Transportation for Investment—Cr.

Other Income above includes \$11,320 from Miscellaneous Rents, \$34,579 from Miscellaneous Non-operating Physical Property, \$594,740 (1926, \$319,475) Income from Securities and Accounts, and debit of \$276,725 account of Miscellaneous Income.

Equipment Dec. 31: Locos., 163; Pass., 81; Freight, 4,226.

· APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	27.2%	26.7%	29.4%	32.2%	34.6%	32.5%
For Traffic, Transportation and General Expenses	38.7%	37.6%	38.5%	39.7%	39.2%	41.0%
For Fixed Charges	25.6%	25.6%	22.2%	18.7%	18.4%	18.8%
For Net Income	8.5%	10.1%	9.9%	9.4%	7.8%	7.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	2,232,839	2,004,003	1,840,609	1,805,718
Passenger miles per mile of road....	50,263	56,638	59,733	70,104
Miles, second and addit'l main track.	22	20	20	20
Miles, yards and sidings	515	509	493	476

See Notes, page 473.

MIDLAND VALLEY R. R.

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1914-15	330	\$1,392,739	\$80,858	1923	365	\$4,500,147	\$911,629
1915-16	330	1,862,608	199,916	1924	365	4,535,840	912,858
1917	334	2,927,127	479,875	1925	364	4,382,168	946,730
1921	333	4,450,477	581,959	1926	364	4,314,245	1,049,927
1922	365	4,061,004	823,471	1927	*364	3,964,918	722,564

*Includes 50 miles leased and 25 miles trackage. †In years after 1915-16, before deducting interest on Income bonds.

STOCK OUTSTANDING

December 31, 1927

Common (par \$50)	\$4,006,500
*Preferred (5%—par \$50)....	3,999,250
†Income Bonds (5%)	5,500,150

*Non-cumulative. †Non-cumulative Adjustment Mortgage bonds due 1953 (\$3,503,950 Series A and \$1,996,200 Series B); full interest paid 1920-1927. ‡Not including \$598,000 owned unpledged.

BONDS OUTSTANDING

December 31, 1927

†First Mortgage (5%).....	\$6,315,000
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CAPITALIZATION

	Total	Per Mile
Stock and Income Bonds	\$13,505,900	\$37,104
Bonds	6,315,000	17,349
Total	19,820,900	54,453

Fixed Charges below include \$25,718 for Net Joint Facility Rents, \$246,297 (1926, \$201,106) for Hire of Freight Cars, Dr. Bal., and \$98,438 for Rent for Leased Roads.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 364.		
Railway Operating Revenues	\$3,964,918	\$10,893
Railway Operating Expenses	2,529,253	6,949
Net Revenue from Railway Operations.....	1,435,665	3,944
Other Income (1926, \$197,091)	201,484	554
Gross Income	1,637,149	4,498
Fixed Charges (including for Taxes, \$207,822)†.....	914,585	2,513
*Net Income	722,564	1,985

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$711,145)	\$642,016	\$1,764
Maintenance of Equipment (1926, \$459,443)	610,393	1,677
Traffic Expenses	90,479	249
†Transportation Expenses (1926, \$1,068,626)	999,915	2,747
Miscellaneous Operations and General Expenses.....	186,450	512

Operating Ratio 68.8% (1926, 59.2%; 1925, 63.4%; 1924, 66.0%; 1923, 67.4%).

†Taxes 1926, \$247,151; 1925, \$195,908; 1924, \$210,601; 1923, \$189,155.

*This Net Income before deducting \$275,008 for interest on income bonds, and \$400,288 for 5% preferred and common dividends.

†After deducting \$9,842 Transportation for Investment—Cr.

Other Income above includes \$8,429 Net Rent from Equipment other than Freight Cars, \$15,014 from Miscellaneous Rents, \$3,401 from Miscellaneous Non-operating Physical Property, \$51,250 Income from Funded Securities, and \$121,540 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 81; Pass., 27, incl. 7 gas-electric coaches; Freight, 872.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.1%	25.9%	27.7%	29.7%	30.6%	32.9%
For Traffic, Transportation and General Expenses	30.6%	30.6%	32.8%	33.7%	34.3%	35.0%
For Fixed Charges	22.0%	20.2%	18.8%	17.3%	15.6%	14.8%
For Net Income	17.3%	23.3%	20.7%	19.3%	19.5%	17.3%

	1927	1926	1925	1924
Ton miles per mile of road.....	631,618	692,729	632,498	581,016
Passenger miles per mile of road....	24,335	29,199	37,798	48,759

See Notes, page 476.

MISSOURI-KANSAS-TEXAS R. R.*(Successor to Ry. Co. April 1, 1923)*

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1923	3,243	\$55,433,554	\$5,525,935	1926	3,189	\$58,100,766	\$9,040,198
1924	3,193	57,309,345	8,298,523	1927	*3,189	56,181,528	8,127,439
1925	3,189	57,492,913	8,856,006				

*Including 229 miles trackage. There were 466 miles relinquished April 1, 1923, in reorganization, and 70 miles leased to Wabash Ry., August 1, 1923.
†Before deducting Adjustment bond interest.

STOCK OUTSTANDING

December 31, 1927

*Common (no par) ...	809,120 shares
†Preferred (7%)	\$45,884,623
‡Adjustment Bonds (5%)..	34,395,567

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$92,531,757
Equipment	672,800

*Ownership of 450,000 shares by Kansas City Southern Ry. was liquidated in 1927 and 1928. †Cumulative from January 1, 1928; redeemable at 110. ‡Cumulative from January 1, 1925. Convertible into preferred stock at par to January 1, 1932. In 1925, 1926 and 1927, \$21,414,100 bonds were converted.

CAPITALIZATION

	Total	Per Mile
Preferred Stock and Adjustment Bonds	\$80,280,190	\$25,174
Bonds	93,204,557	29,226
Total	173,484,747	54,400

Fixed Charges below include \$690,115 for Net Joint Facility Rents and \$1,349,990 (1926, \$1,222,692; 1925, \$1,534,778) for Hire of Freight Cars, Dr. Bal.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 3,189.		
Railway Operating Revenues	\$56,181,528	\$17,617
Railway Operating Expenses	39,339,174	12,335
Net Revenue from Railway Operations	16,842,354	5,282
Other Income (1926, \$639,696)	959,883	300
Gross Income	17,802,237	5,582
Fixed Charges (including for Taxes, \$3,131,779)†.....	9,674,798	3,034
*Net Income	8,127,439	2,548

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$7,818,707)	\$8,240,609	\$2,584
Maintenance of Equipment (1926, \$11,203,005)	10,398,912	3,260
Traffic Expenses	1,390,797	436
†Transportation Expenses (1926, \$17,278,201)	16,982,897	5,325
Miscellaneous Operations and General Expenses.....	2,325,959	730

Operating Ratio 70.0% (1926, 68.8%; 1925, 68.9%; 1924, 69.3%; 1923, 77.6%).

†Taxes 1926, \$3,867,208; 1925, \$2,867,589; 1924, \$3,215,687.

*This Net Income before deducting \$2,132,629 (1926, \$2,682,641) for interest on Adjustment bonds.

†After deducting \$288,436 Transportation for Investment—Cr.

Other Income above includes \$46,076 Net Rent from Equipment other than Freight Cars, \$113,992 from Lease of Road, \$147,543 from Miscellaneous Rents and \$654,125 Income from Securities and Accounts.

Equipment Dec. 31: Locos., 535; Pass., 435; Freight, 21,518.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923
For Maintenance Expenses.....	32.6%	32.4%	32.4%	33.0%	38.0%
For Traffic, Transportation and General Expenses	36.3%	35.7%	35.8%	35.7%	37.4%
For Fixed Charges.....	16.9%	16.5%	16.5%	16.9%	14.9%
For Net Income.....	14.2%	15.4%	15.3%	14.4%	9.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,059,937	1,076,528	1,040,318	961,107
Passenger miles per mile of road....	74,371	83,107	87,591	97,580
Miles, second and addit'l main track.	*70	70	70	70
Miles, yards and sidings	1,512	1,362	1,349	1,327

*Not including 71 miles operated but not owned.

See Notes, page 478.

MISSOURI PACIFIC R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	7,325	\$78,320,313	\$8,965,104	1924	7,360	\$123,647,724	\$6,503,218
1921	7,300	109,785,950	*1,564,935	1925	7,338	130,831,661	7,648,209
1922	7,262	99,921,331	†1,413,712	1926	7,347	133,990,294	8,631,667
1923	7,236	114,607,948	121,346	1927	†7,361	125,728,405	\$4,401,196

*Not including \$1,972,081 credit pertaining to federal guaranty. †Deficit. ‡Includes 4,000 miles branches and 530 miles leased lines and trackage. §Extraordinary operating expenses due to flood were \$2,532,486.

STOCK OUTSTANDING

December 31, 1927

Common	\$82,839,500
*Preferred (5%)	71,800,100

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds	\$286,938,120
Equipment	24,800,200
‡Other	13,956,000

*Cumulative from July 1, 1918; convertible into common stock at par; dividend accumulation was 50% July 1, 1928. †Not including \$13,968,000 First & Refunding 5% bonds owned unpledged. ‡Including \$13,156,000 5½% N. O., T. & M. Ry. stock collateral bonds due serially 1931 to 1956.

Loans and Bills Payable, December 31, 1927, \$7,000,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$154,639,600	\$21,008
Bonds	325,694,320	44,246
Total	480,333,920	65,254

Fixed Charges below include \$1,326,770 for Net Joint Facility Rents, \$3,636,252 (1926, \$4,286,254; 1925, \$4,038,149) for Hire of Freight Cars, Dr. Bal., \$188,419 for Rent for Leased Roads, and \$38,858 for Miscellaneous Rents.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 7,361.		
Railway Operating Revenues	\$125,728,405	\$17,080
Railway Operating Expenses	99,565,997	13,526
Net Revenue from Railway Operations	26,162,408	3,554
Other Income (1926, \$4,048,703)	4,339,488	589
Gross Income	30,501,896	4,143
Fixed Charges (including for Taxes, \$4,769,420)†.....	26,100,700	3,546
Net Income	4,401,196	597

*OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$21,262,028)	\$21,820,236	\$2,964
Maintenance of Equipment (1926, \$26,532,577).....	23,764,538	3,229
Traffic Expenses	3,410,974	463
†Transportation Expenses (1926, \$46,206,930).....	44,931,287	6,104
Miscellaneous Operations and General Expenses	5,638,962	766

Operating Ratio 79.2% (1926, 76.8%; 1925, 78.2%; 1924, 79.6%; 1923, 85.5%).

†Taxes 1926, \$5,612,341; 1925, \$5,266,438; 1924, \$4,690,480; 1923, \$4,430,589.

*Including \$2,532,486 extraordinary expenses due to flood.

†After deducting \$1,305,991 Transportation for Investment—Cr.

Other Income above includes \$515,721 (1926, \$427,417; 1925, \$127,690) from Hire of Equipment other than Freight Cars, \$240,557 from Miscellaneous Rents, \$111,323 from Miscellaneous Non-operating Physical Property, \$1,111,159 (1926, \$947,164; 1925, \$1,180,235) Income from Securities, and \$2,337,872 (1926, \$2,307,333; 1925, \$2,918,928; 1924, \$1,756,248; 1923, \$1,807,325; 1922, \$566,632; 1921, \$1,082,248) from Dividends.

Equipment Dec. 31: Locos., 1,278; Pass., 901; Freight, 44,610; Marine, 6.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	35.1%	34.6%	34.2%	35.2%	39.7%	37.4%
For Other Oper. Exp.....	41.5%	39.9%	41.3%	42.2%	43.3%	45.3%
For Fixed Charges	20.1%	19.2%	18.9%	17.5%	16.9%	18.7%
For Net Income	3.3%	6.3%	5.6%	5.1%	0.1%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	1,275,096	1,379,054	1,303,480	1,191,999
Passenger miles per mile of road....	62,558	66,803	67,058	69,559
Miles, second and addit'l main track.	365	332	296	276
Miles, yards and sidings	2,495	2,452	2,391	2,307

See Notes, page 482.

NEW ORLEANS, TEXAS & MEXICO RY.

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1917	920	\$8,661,229	\$1,019,961	1924	922	\$14,251,547	\$2,763,756
1921	923	11,073,624	1,480,480	1925	922	14,718,818	2,514,164
1922	922	10,413,975	1,721,793	1926	926	16,500,682	1,874,560
1923	922	11,911,420	2,239,777	1927	*993	15,428,651	475,723

*Including 133 miles trackage rights. Not including 93 miles connection Baton Rouge to New Orleans over Y. & M. V. R.R. operated under special traffic agreement. Not including lines separately operated, as San Antonio, Uvalde & Gulf R.R., 316 miles, acquired 1925, and San Antonio Southern Ry., 39 miles, acquired 1926. †After deducting interest on Income bonds.

STOCK OUTSTANDING

December 31, 1927

*Common\$15,000,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$37,070,000

Equipment 2,972,000

†Other 3,376,000

*Owned \$13,160,500 (December 31, 1927) by Missouri Pacific R.R. †Including \$3,376,800 Income 5s, due 1935, exchangeable at par for First 5s, due 1954. ‡Non-negotiable debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$1,403,739.

CAPITALIZATION

	Total	Per Mile
Stock	\$15,000,000	\$15,105
Bonds	43,418,000	43,724
Total	58,418,000	58,829

Fixed Charges below include \$242,841 for Net Joint Facility Rents, \$434,434 (1926, \$466,273; 1925, \$24,156) for Hire of Freight Cars, Dr. Bal., and \$2,242 Net Rent for Other Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 993.		
Railway Operating Revenues	\$15,428,651	\$15,537
Railway Operating Expenses	12,084,940	12,170
Net Revenue from Railway Operations	3,343,711	3,367
Other Income (1926, \$333,005)	717,528	722
Gross Income	4,061,239	4,089
Fixed Charges (including for Taxes, \$744,088)†.....	3,585,516	3,610
*Net Income (per Common Share, \$3.17).....	475,723	479

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,077,210)	\$3,195,139	\$3,218
Maintenance of Equipment (1926, \$2,802,054)	2,782,675	2,803
Traffic Expenses	474,560	477
†Transportation Expenses (1926, \$4,485,946)	4,891,471	4,926
Miscellaneous Operations and General Expenses	741,095	746

Operating Ratio 78.3% (1926, 70.2%; 1925, 66.8%; 1924, 62.1%; 1923, 62.6%).

†Taxes 1926, \$765,752; 1925, \$747,930; 1924, \$727,139; 1923, \$764,158.

*This Net Income before deducting \$1,038,198 for dividends.

†After deducting \$85,910 Transportation for Investment—Cr.

Other Income above includes \$20,938 from Miscellaneous Rents, \$8,394 (debit, 1926, \$20,555) from Miscellaneous Non-operating Physical Property, \$60,669 (1926, \$71,213) Income from Unfunded Securities, and \$626,466 (1926, \$258,638) Income from Funded Securities.

Equip. Dec. 31: Locos, 114 (incl. 2 electric); Pass., 125; Frt., 4,954; Marine, 3.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	37.1%	34.9%	30.6%	30.5%	29.1%	32.0%
For Other Oper. Exp.	37.8%	33.9%	34.6%	31.3%	32.6%	32.7%
For Fixed Charges	22.2%	20.1%	18.1%	18.9%	14.2%	12.8%
For Net Income	2.9%	11.1%	16.7%	19.3%	24.1%	22.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	816,518	938,049	925,743	869,468
Passenger miles per mile of road....	60,482	77,746	71,124	72,253
Miles, second and addit'l main track.	1	1	.....	.....
Miles, yards and sidings	266	257	.....	.....

See Notes, page 487.

ST. JOSEPH & GRAND ISLAND RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1906-7	312	\$1,734,558	\$418,334	1915-16	258	\$1,840,900	\$199,679
1907-8	314	1,602,311	336,464	1916-17	258	2,346,814	†317,552
1908-9	319	1,562,113	147,124	1921	258	3,355,357	†73,609
1909-10	319	1,631,739	†260,272	1922	258	3,171,594	†125,517
1910-11	319	1,704,315	†119,167	1923	258	3,312,148	†100,592
1911-12	319	1,545,825	†207,457	1924	258	3,297,406	96,827
1912-13	319	1,553,465	†226,290	1925	258	3,505,699	444,783
1913-14	319	1,610,060	†198,841	1926	258	3,586,348	346,661
1914-15	*264	1,507,314	22,436	1927	258	3,521,309	374,498

*Decrease in mileage was due to the discontinuance of use of 61 miles of trackage (St. Joseph to Kansas City, Mo.) July 16, 1914. †Deficit. ‡Including "Miscellaneous Income," \$196,647 in 1921 and \$121,914 in 1923, presumably representing at least in part adjustments in connection with federal rental and guaranty.

*STOCK OUTSTANDING

December 31, 1927

Common	\$4,600,000
†Preferred 1st (5%).....	5,499,400
†Preferred 2nd (4%).....	3,500,000

*Owned \$4,587,500 common, \$5,374,390 first, and \$3,450,830 second preferred stock by Union Pacific R. R. †Non-cumulative.

BONDS OUTSTANDING

December 31, 1927

First Mortgage (4%).....	\$4,000,000
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CAPITALIZATION

	Total	Per Mile
Stock	\$13,599,400	\$52,710
Bonds	4,000,000	15,503
Total	17,599,400	68,213

Fixed Charges below include \$183,381 for Hire of Freight Cars, Dr. Bal., and \$11,086 Net Rent for Other Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 258.		
Railway Operating Revenues.....	\$3,521,309	\$13,648
Railway Operating Expenses.....	2,604,085	10,098
Net Revenue from Railway Operations.....	917,224	3,555
Other Income (1926, \$52,866).....	36,543	141
Gross Income	953,767	3,696
Fixed Charges (including for Taxes, \$222,286)†.....	579,269	2,245
Net Income	374,498	1,451

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$704,169).....	\$661,762	\$2,564
Maintenance of Equipment (1926, \$546,426).....	508,346	1,971
Traffic Expenses	36,669	142
Transportation Expenses (1926, \$1,206,541).....	1,217,792	4,721
General Expenses	179,515	695

Operating Ratio 74.0% (1926, 74.7%; 1925, 72.0%; 1924, 80.1%; 1923, 84.8%).

†Taxes 1926, \$222,571; 1925, \$188,726; 1924, \$215,483; 1923, \$172,971.

Other Income above includes \$6,088 from Net Joint Facility Rents, \$5,917 from Miscellaneous Rents, and \$24,515 Income from Securities and Accounts. Equipment Dec. 31: Locos., 44; Pass., 24; Freight, 482.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.8%	34.4%	31.1%	35.7%	36.0%	38.5%
For Traffic, Transportation and General Expenses	40.4%	39.3%	39.8%	43.4%	44.5%	48.6%
For Fixed Charges.....	16.3%	16.8%	16.6%	18.0%	16.6%	16.8%
For Net Income.....	10.5%	9.5%	12.5%	2.9%	2.9%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	886,476	890,238	773,562	680,378
Passenger miles per mile of road.....	17,372	21,093	24,393	31,529

See Notes, page 491.

ST. LOUIS-SAN FRANCISCO RY.

Year	Mileage	Oper. Rev.	†Net Inc.	Year	Mileage	Oper. Rev.	†Net Inc.
1922	5,246	\$83,008,022	\$998,257	1925	5,426	\$94,715,875	\$7,492,085
1923	5,246	89,633,152	4,034,786	1926	5,603	94,406,054	7,917,480
1924	5,258	90,509,138	6,325,362	1927	*5,605	89,259,584	7,813,921

*Including 11 miles leased and 88 miles trackage rights. †In each year before appropriation for sinking and other reserve funds.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$65,424,926
Preferred (6%)	7,145,100

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$200,825,365
Equipment	18,912,000
Adjustment Mtge. (6%)	40,540,393
Income Mtge. (6%)	35,172,000
†Other	12,899,780

*Includes \$15,096,200 common stock sold at 100 to common stockholders as of May 16, 1927. Not including \$118,300 common and \$354,900 preferred stock held by reorganization managers. †Including \$5,000,000 5% notes due February 1, 1928, and \$3,000,000 6% notes due March 1, 1930.

During 1928 the company sold \$100,000,000 Cons. Mtge. $4\frac{1}{2}$ % bonds and \$49,157,400 new 6% preferred stock of which most of the proceeds were used to refund \$136,293,000 bonds and notes (including \$10,598,000 Prior Lien "O" 6s, \$17,173,000 Prior Lien "D" $5\frac{1}{2}$ s, \$40,547,818 Adjustment 6s and \$35,192,000 Income 6s) and to redeem \$7,500,000 6% preferred stock.

CAPITALIZATION

	Total	Per Mile
Stock	\$72,570,026	\$12,947
Bonds	307,849,538	54,924
Total	380,419,564	67,871

Fixed Charges below include \$129,962 (1926, \$145,032) for Net Joint Facility Rents, and \$58,254 for Other Rentals; do not include \$349,685 Sinking Fund Appropriation included by company.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 5,605.	Total	Per Mile
Railway Operating Revenues	\$89,259,584	\$15,925
Railway Operating Expenses	62,263,277	11,108
Net Revenue from Railway Operations	26,996,307	4,817
Other Income (1926, \$403,975)	1,701,925	303
Gross Income	28,698,232	5,120
Fixed Charges (including for Taxes, \$4,992,531)†	20,884,311	3,726
*Net Income (per Common Share, \$10.75)	7,813,921	1,394

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$12,708,773)	\$11,910,297	\$2,124
Maintenance of Equipment (1926, \$18,003,959)	17,183,351	3,065
Traffic Expenses	1,501,296	268
†Transportation Expenses (1926, \$30,616,698)	28,520,245	5,089
Miscellaneous Operations and General Expenses	3,148,088	562

Operating Ratio 69.8% (1926, 69.8%; 1925, 69.6%; 1924, 70.8%; 1923, 73.6%).

†Taxes 1926, \$4,842,388; 1925, \$5,093,124; 1924, \$4,631,330; 1923, \$4,289,337.

*Before deducting \$349,685 for sinking fund, and \$428,022 for preferred and \$4,352,229 for common dividends.

†After deducting \$1,107,989 Transportation for Investment—Cr.

Other Income above includes \$171,630 (debits: 1926, \$239,505; 1925, \$1,128,850) from Net Equipment Rents, and \$1,325,294 from Interest and Dividends.

Equipment Dec. 31: Locos., 954; Pass., 681; Freight, 34,730.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.9%	32.4%	31.3%	32.6%	34.0%	33.3%
For Other Oper. Exp.....	36.6%	37.1%	37.9%	37.7%	39.2%	41.7%
For Fixed Charges	22.9%	22.1%	22.9%	22.7%	22.3%	23.8%
For Net Income	8.6%	8.4%	7.9%	7.0%	4.5%	1.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	892,993	917,192	943,095	896,805
Passenger miles per mile of road....	73,646	82,427	91,518	101,865
Miles, second and addit'l main track.	131	124	124	123
Miles, yards and sidings	2,014	1,968	1,855	1,801

See Notes, page 492.

ST. LOUIS SOUTHWESTERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	1,754	\$10,627,861	†\$280,903	1923	1,776	\$29,551,120	\$3,401,092
1915-16	1,754	12,224,449	1,267,455	1924	1,777	26,326,291	2,365,162
1917	1,754	17,309,657	3,873,458	1925	1,750	26,182,262	2,379,292
1921	1,776	25,140,164	2,493,482	1926	1,748	25,692,826	2,405,540
1922	1,776	26,159,914	2,256,679	1927	*1,748	24,206,525	1,847,814

*Includes 225 miles leased and 208 miles trackage rights. †Deficit.

*STOCK OUTSTANDING

December 31, 1927

Common	\$16,356,100
Preferred (5%)	19,893,650

†BONDS OUTSTANDING

December 31, 1927

Fixed Interest	\$63,248,750
Equipment	4,545,000

*Owned \$13,500,000 preferred and \$2,000,000 common stock by Kansas City Southern Ry. Not including \$106,850 preferred and \$143,900 common stock owned unpledged. The preferred stock is non-cumulative. †Not including \$10,066,000 owned unpledged (\$1,626,000 in sinking fund or annuity trust) and \$2,456,000 bonds and \$5,546,833 equipment obligations owned and pledged. Not including \$3,853,000 proportion of bonds guaranteed.

CAPITALIZATION

	Total	Per Mile
Stock	\$36,249,750	\$20,738
Bonds	67,793,750	38,784
Total	104,043,500	59,522

Fixed Charges below include \$335,485 (1926, \$309,739; 1925, \$368,550) for Net Joint Facility Rents, \$2,704 for Miscellaneous Rents and \$11,920 (credit, 1926, \$15,567) Net Rent for Other Equipment.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,748.		
Railway Operating Revenues	\$24,206,525	\$13,848
Railway Operating Expenses	18,494,571	10,580
Net Revenue from Railway Operations	5,711,954	3,268
Other Income (1926, \$369,581)	545,760	312
Gross Income	6,257,714	3,580
Fixed Charges (including for Taxes, \$1,184,943)†.....	4,409,900	2,523
*Net Income (per Common Share, \$5.26).....	1,847,814	1,057

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$4,864,847)	\$4,641,477	\$2,655
Maintenance of Equipment (1926, \$4,660,630)	3,938,912	2,253
Traffic Expenses	1,131,211	647
†Transportation Expenses (1926, \$7,384,236)	7,365,908	4,214
Miscellaneous Operations and General Expenses	1,417,063	811

Operating Ratio 76.4% (1926, 75.3%; 1925, 76.3%; 1924, 76.1%; 1923, 74.4%).

†Taxes 1926, \$1,289,631; 1925, \$1,171,512; 1924, \$1,286,014; 1923, \$1,630,624 (incl. \$204,008 adjustment for 1916 and 1917).

*This Net Income before deducting \$33,171 for sinking funds.

†After deducting \$76,281 Transportation for Investment—Cr.

Other Income above includes \$9,989 (1926, \$142,024; 1925, \$162,264) from Hire of Freight Cars, Cr. Bal., \$10,035 from Lease of Road, \$39,791 from Miscellaneous Rents, \$13,324 from Miscellaneous Non-operating Physical Property, \$446,285 (1926, \$89,526) Income from Securities and Accounts, and \$46,000 from Dividends.

Equipment Dec. 31: Locos., 261; Pass., 181; Freight, 9,317.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.7%	36.5%	38.1%	37.7%	36.7%	34.3%
For Traffic, Transportation and General Expenses	40.1%	37.7%	36.9%	37.0%	36.3%	41.0%
For Fixed Charges	17.7%	16.5%	16.0%	16.5%	15.7%	16.2%
For Net Income	7.5%	9.3%	9.0%	8.8%	11.3%	8.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	798,658	846,404	842,609	801,029
Passenger miles per mile of road....	33,129	36,892	42,698	48,137
Miles, second and addit'l main track.	*120	120	120	128
Miles, yards and sidings	632	621	611	606

*Including 105 miles trackage.

See Notes, page 498.

SOUTHERN PACIFIC CO.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	10,311	\$130,353,693	\$27,712,860	1922	11,224	\$262,519,169	\$32,600,150
1913-14	10,422	126,614,537	21,279,012	1923	11,232	287,204,635	44,552,482
1914-15	10,554	129,865,675	20,570,319	1924	11,476	275,904,111	35,754,416
1915-16	10,956	152,694,228	30,885,254	1925	12,950	293,074,553	35,657,410
1917	11,137	193,971,490	49,129,417	1926	13,280	298,800,998	38,791,373
1921	11,188	269,494,365	30,618,778	1927	*13,505	297,745,406	33,702,524

*Including El Paso & Southwestern System, 1,140 miles, from November 1, 1924, Franklin & Abbeville Ry., 51 miles, from January 1, 1925, and San Antonio & Aransas Pass Ry., 725 miles, from May 1, 1925.

***STOCK OUTSTANDING**

December 31, 1927

(Southern Pacific Co.)

Common\$372,380,906

†BONDS OUTSTANDING

December 31, 1927

(Transportation System Companies)

Fixed Interest\$535,173,826

Equipment70,643,800

*Also \$21,860 of Transportation System Cos. †Not including \$130,302,640 bonds held within the System and \$775,000 by Affiliated Cos., nor \$46,581,409 due to Affiliated Cos. on which in 1927 \$22,465 interest was accrued.

CAPITALIZATION

	Total	Per Mile
Stock	\$372,380,906	\$27,573
Bonds	605,817,626	44,859
Total	978,198,532	72,432

Fixed Charges below include \$256,622 for Net Joint Facility Rents, \$6,359,888 (1926, \$5,636,727; 1925, \$5,764,352) for Net Equipment Rents, \$250,628 for Rent for Leased Roads, \$789,110 for Miscellaneous Rents, and \$55,985 for Separately Operated Properties—Loss.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 13,505.		
Railway Operating Revenues	\$297,745,406	\$22,047
Railway Operating Expenses	218,179,192	16,155
Net Revenue from Railway Operations.....	79,566,214	5,892
Other Income (1926, \$11,907,022)	11,057,275	818
Gross Income	90,623,489	6,710
Fixed Charges (including for Taxes, \$21,213,512)†.....	56,920,965	4,215
*Net Income	33,702,524	2,495

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$42,464,362)	\$40,972,090	\$3,034
Maintenance of Equipment (1926, \$50,637,576)	50,731,307	3,756
Traffic Expenses	6,785,543	502
Transportation Expenses (1926, \$100,348,011).....	103,214,065	7,643
Miscellaneous Operations and General Expenses	16,476,187	1,220

Operating Ratio 73.8% (1926, 72.2%; 1925, 73.6%; 1924, 73.6%; 1923, 72.1%).

†Taxes 1926, \$21,476,811; 1925, \$21,275,282; 1924, \$19,867,104.

*In addition the Solely Controlled Affiliated Companies had \$2,296,672 (1926, \$3,243,291; 1925, \$2,258,907; 1924, \$5,071,026) Net Income.

Other Income above includes \$1,777,254 from Miscellaneous Rents, \$104,179 from Miscellaneous Non-operating Physical Property, \$2,900,243 (1926, \$3,191,375; 1925, \$3,777,912; 1924, \$4,451,990) from Funded Securities including Advances, \$1,837,929 (1926, \$3,267,541; 1925, \$3,313,668; 1924, \$2,006,074) Income from Unfunded Securities, Accounts and Funds, and \$3,936,023 (1926, \$2,995,796; 1925, \$2,780,977; 1924, \$2,787,677) from Dividends.

Equip. Dec. 31: Locos., 2,448; Pass., 2,896; Freight, 82,213; Ocean S.S., 22.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	29.8%	30.0%	29.2%	30.0%	30.5%	31.2%
For Other Oper. Exp.....	40.9%	39.4%	41.4%	40.4%	38.4%	39.9%
For Fixed Charges	18.4%	18.1%	17.7%	17.2%	16.3%	16.9%
For Net Income	10.9%	12.5%	11.7%	12.4%	14.8%	12.0%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,125,763	1,140,841	1,132,555	1,152,054
Passenger miles per mile of road....	128,842	133,315	138,095	154,649
Miles, second and addit'l main track.	951	938	875	659
Miles, yards and sidings	5,757	5,598	5,407	4,984

See Notes, page 502.

TEXAS & PACIFIC RY.

(Receivers Discharged May 15, 1924)

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1911	1,885	\$16,139,029	\$1,406,613	1921	1,951	\$35,739,715	\$3,112,718
1911-12	1,885	16,973,223	964,278	1922	1,953	31,881,795	1,772,584
1912-13	1,885	18,078,783	591,841	1923	1,953	32,592,489	3,433,111
1913-14	1,885	18,652,685	1,485,847	1924	1,953	33,784,580	3,878,591
1914-15	1,901	17,944,638	996,827	1925	1,953	35,272,899	3,821,555
1915-16	1,944	19,156,856	2,298,450	1926	1,954	35,449,650	3,927,341
1917	1,946	22,714,007	4,236,072	1927	*1,981	38,949,539	4,113,981

*Including 168 miles trackage rights.

*STOCK OUTSTANDING

December 31, 1927

Common	\$38,755,110
†Preferred (5%)	23,703,000
‡Income Bonds (5%)	243,000

*Owned \$18,960,000 common and \$23,703,000 preferred stock by Missouri Pacific R.R. †Non-cumulative. ‡Balance unexchanged for preferred stock.

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$45,959,000
Equipment	8,621,440

CAPITALIZATION

	Total	Per Mile
Stock	\$62,701,110	\$31,651
Bonds	54,580,440	27,552
Total	117,281,550	59,203

Fixed Charges below include \$84,486 for Net Joint Facility Rents, \$1,768,324 (1926, \$953,835) for Hire of Freight Cars, Dr. Bal., and \$106,327 for Separately Operated Properties—Loss.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,981		
Railway Operating Revenues	\$38,949,539	\$19,662
Railway Operating Expenses	28,797,073	14,537
Net Revenue from Railway Operations	10,152,466	5,125
Other Income (1926, \$473,779)	619,696	313
Gross Income	10,772,162	5,438
Fixed Charges (including for Taxes, \$1,839,200)†.....	6,658,181	3,361
*Net Income (per Common Share, \$7.53)	4,113,981	2,077

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$5,414,907)	\$6,832,210	\$3,449
Maintenance of Equipment (1926, \$6,511,860)	6,801,243	3,433
Traffic Expenses	884,732	446
†Transportation Expenses (1926, \$12,181,608)	12,758,603	6,441
Miscellaneous Operations and General Expenses	1,520,284	768

Operating Ratio 78.9% (1926, 74.7%; 1925, 75.0%; 1924, 74.7%; 1923, 76.7%).

†Taxes 1926, \$1,849,921; 1925, \$1,917,500; 1924, \$1,837,500; 1923, \$1,430,000.

*This Net Income before deducting \$1,185,150 for preferred dividends.

†After deducting \$294,783 Transportation for Investment—Cr.

Other Income above includes \$53,590 Net Rent from Equipment other than Freight Cars, \$163,579 from Lease of Road, \$37,955 from Miscellaneous Rents, \$19,118 from Miscellaneous Non-operating Physical Property, and \$340,795 (1926, \$136,935) Income from Securities and Accounts.

Equipment Dec. 31: Locos., 351; Pass., 206; Freight, 9,625.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.4%	33.2%	34.0%	33.0%	35.7%	36.4%
For Traffic, Transportation and						
General Expenses	38.3%	40.5%	39.9%	40.6%	39.6%	43.7%
For Fixed Charges	16.9%	15.4%	15.4%	15.0%	14.3%	14.3%
For Net Income.....	10.4%	10.9%	10.7%	11.4%	10.4%	5.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,170,725	942,812	898,775	827,925
Passenger miles per mile of road....	87,481	95,029	99,509	104,709
Miles, second and addit'l main track.	67	68	61	61
Miles, yards and sidings	810	751	691	686

See Notes, page 519.

WESTERN PACIFIC R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	964	\$9,898,483	\$2,443,263	1924	1,043	\$14,370,467	\$1,329,265
1921	1,016	12,104,155	536,084	1925	1,043	15,569,045	2,451,067
1922	1,042	12,505,348	1,105,345	1926	1,043	16,057,065	2,470,264
1923	1,043	14,138,269	1,819,796	1927	*1,043	16,433,463	394,851

*Includes 116 miles branches and spurs.

*STOCK OUTSTANDING

December 31, 1927

Common	\$47,500,000
Preferred (6%)	27,500,000

BONDS OUTSTANDING

December 31, 1927

Mortgage Bonds	\$33,274,300
Equipment	6,377,000
†Other	3,064,030

*Owned entirely by Western Pacific R.R. Corporation which itself had actually outstanding, December 31, 1927, \$38,121,982 preferred and \$57,448,451 common stock; see Notes. †Due on open account to affiliated companies.

CAPITALIZATION

	Total	Per Mile
Stock	\$75,000,000	\$71,908
Bonds	42,715,330	40,954
Total	117,715,330	112,862

Fixed Charges below include \$40,254 for Miscellaneous Rents, \$3,000 for Rent for Leased Roads and \$126,274 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,043.		
Railway Operating Revenues	\$16,433,463	\$15,756
Railway Operating Expenses	13,125,069	12,584
Net Revenue from Railway Operations.....	3,308,394	3,172
Other Income (1926, \$1,248,180)	920,311	882
Gross Income	4,228,705	4,054
Fixed Charges (including for Taxes, \$1,503,477)†.....	3,833,854	3,676
*Net Income (per Preferred Share, \$1.44)	394,851	378

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,272,357)	\$3,084,060	\$2,957
Maintenance of Equipment (1926, \$2,519,762)	2,949,421	2,828
Traffic Expenses	555,273	532
†Transportation Expenses (1926, \$5,011,240)	5,343,253	5,123
Miscellaneous Operations and General Expenses.....	1,193,062	1,144

Operating Ratio 79.9% (1926, 70.2%; 1925, 72.8%; 1924, 79.8%; 1923, 75.4%).

†Taxes 1926, \$1,305,603; 1925, \$979,995; 1924, \$877,173; 1923, \$951,168.

*This Net Income before deducting \$50,000 for sinking fund.

†After deducting \$50,089 Transportation for Investment—Cr.

Other Income above includes \$284,620 (1926, \$642,879; 1925, \$870,156) from Net Equipment Rentals, \$232,749 (1926, \$219,717; 1925, \$173,874) from Net Joint Facility Rents, \$3,362 from Lease of Road, \$81,628 from Miscellaneous Rents, \$27,208 from Miscellaneous Non-operating Physical Property, and \$290,489 (1926, \$278,499) Income from Securities and Accounts.

Equipment Dec. 31: Locom., 164; Pass., 57; Freight, 9,178; Floating, 5.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.8%	27.7%	27.8%	33.8%	30.8%	31.4%
For Traffic, Transportation and General Expenses	40.9%	37.5%	39.3%	39.8%	39.7%	42.3%
For Fixed Charges	22.1%	20.6%	18.3%	18.0%	17.5%	18.0%
For Net Income	2.2%	14.2%	14.6%	8.4%	12.0%	8.3%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,329,221	1,283,857	1,241,070	1,105,086
Passenger miles per mile of road....	61,966	66,613	77,238	80,274
Miles, second and addit'l main track.	*186	*186	*186	*189
Miles, yards and sidings	294	282	270	255

*Including 183 miles operated under paired track agreement with Southern Pacific Co.

See Notes, page 522.

DULUTH & IRON RANGE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	285	\$7,371,399	\$1,743,109	1924	340	\$5,960,971	†\$95,228
1921	295	4,972,513	144,676	1925	339	6,813,655	1,403,435
1922	345	6,818,656	1,505,183	1926	337	7,041,389	1,750,553
1923	345	7,768,817	1,584,962	1927	*337	6,648,644	1,309,624

*Includes 62 miles industrial tracks and 7 miles trackage rights. †Not including \$1,254,447 credit in adjustment of sinking and other reserve funds.

STOCK OUTSTANDING

December 31, 1927

*Common\$6,500,000 First Mortgage (5%).....\$8,151,000

*Entirely owned in interest of U. S. Steel Corporation.

Balance sheet December 31, 1927, showed the following: Profit and Loss credit balance, \$8,816,318; Capital Amortization Reserve, \$9,751,984; Equipment and Dock Depreciation Fund Reserves, \$7,202,533; Appropriated Surplus Invested in Property, \$4,750,034; and Swamp Land Grant Income, \$857,634.

BONDS OUTSTANDING

December 31, 1927

CAPITALIZATION		Total	Per Mile
Stock		\$6,500,000	\$19,288
Bonds		8,151,000	24,187
Total		14,651,000	43,475

Fixed Charges below include \$188,232 (1926, \$183,782; 1925, \$187,678; 1924, \$147,047; 1923, \$190,750) for Amortization Allowances.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

		Total	Per Mile
Average miles operated, 337.			
Railway Operating Revenues (\$4,963,082 Ore).....		\$6,648,644	\$19,729
Railway Operating Expenses		4,700,892	13,949
Net Revenue from Railway Operations		1,947,752	5,780
Other Income (1926, \$471,255)		501,806	1,489
Gross Income		2,449,558	7,269
Fixed Charges (including for Taxes, \$538,412)†.....		1,139,934	3,382
*Net Income (per Common Share, \$20.15)		1,309,624	3,887

OPERATING EXPENSES

		Total	Per Mile
Maintenance of Way (1926, \$1,073,965)		\$1,199,828	\$3,560
Maintenance of Equipment (1926, \$1,312,296)		1,351,349	4,010
Traffic Expenses		23,644	70
†Transportation Expenses (1926, \$1,908,070)		1,849,538	5,488
Miscellaneous Operations and General Expenses		276,533	821

Operating Ratio 70.7% (1926, 65.6%; 1925, 69.4%; 1924, 82.2%; 1923, 70.1%).

†Taxes 1926, \$550,602; 1925, \$527,807; 1924, \$808,800; 1923, \$609,440.

*Dividends paid were \$975,000 in 1927 to 1924 inclusive and 1921, \$1,625,000 in 1923, and \$1,300,000 in 1922.

†After deducting \$3,713 Transportation for Investment—Cr.

Other Income above includes \$31,653 (1926, \$42,516) from Net Joint Facility and Equipment Rents, \$231,000 (1926, \$203,395) Interest from Accounts and Deposits, and \$218,300 (1926, \$217,543) Income from Funded Securities.

Equipment Dec. 31: Locos., 103; Pass., 23; Freight, 6,858; Floating, 2.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	35.7%	31.8%	33.8%	41.2%	33.3%	33.1%
For Traffic, Transportation and General Expenses	30.1%	29.7%	31.3%	35.9%	32.8%	30.9%
For Fixed Charges	15.9%	15.2%	15.5%	21.5%	14.7%	15.3%
For Net Income	18.3%	23.3%	19.4%	1.4%	19.2%	20.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,675,887	1,761,669	1,671,273	1,331,507
Passenger miles per mile of road....	8,929	9,031	9,089	12,842
Miles, second and addit'l main track.	72	72	72	72
Miles, yards and sidings	134	135	135	137

See Notes, page 529.

DULUTH, MISSABE & NORTHERN RY.

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1922	336	\$14,976,811	\$5,822,815	1925	339	\$18,054,509	\$7,216,882
1923	336	22,258,554	10,583,419	1926	333	18,943,968	8,151,140
1924	338	13,856,099	3,919,762	1927	†318	15,835,484	6,633,562

*Before deducting amortization allowance (sinking fund). †Includes 27 miles industrial tracks.

STOCK OUTSTANDING

December 31, 1927

*Common\$4,112,500 †General Mortgage (5%)...\$6,531,000

*A majority owned by U. S. Steel Corporation. †Not including \$7,441,000 in sinking fund. On January 1, 1922, \$1,174,000 6s matured and a like amount of 5s were issued.

BONDS OUTSTANDING

December 31, 1927

CAPITALIZATION

	Total	Per Mile
Stock	\$4,112,500	\$12,933
Bonds	6,531,000	20,537
Total	10,643,500	33,470

Balance sheet December 31, 1927, showed \$32,514,525 credit to Profit and Loss, \$13,173,980 Appropriated Surplus, \$2,208,032 Surplus Invested in Bond Sinking Funds, \$6,952,931 Capital Amortization Reserve, and \$10,390,982 Equipment and Docks Depreciation Fund Reserve.

Fixed Charges below include \$54,989 for Net Joint Facility and Equipment Rents, \$207,021 for Rent for Leased Roads and \$271,668 credit (1926, \$127,583 debit) account Miscellaneous Charges to Income.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

Average miles operated, 318.	Total	Per Mile
Railway Operating Revenues	\$15,835,484	\$49,797
Railway Operating Expenses	7,858,242	24,712
Net Revenue from Railway Operations	7,977,242	25,085
Other Income (1926, \$842,386)	907,448	2,854
Gross Income	8,884,690	27,939
Fixed Charges (including for Taxes, \$1,904,710)†.....	2,251,128	7,079
*Net Income	6,633,562	20,860

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,108,032)	\$2,022,237	\$6,359
Maintenance of Equipment (1926, \$2,401,470)	2,378,820	7,481
Traffic Expenses	38,688	122
†Transportation Expenses (1926, \$3,494,940)	3,102,730	9,758
Miscellaneous Operations and General Expenses	315,767	992

Operating Ratio 49.6% (1926, 44.4%; 1925, 45.5%; 1924, 54.2%; 1923, 40.9%).

†Taxes 1926, \$2,474,438; 1925, \$1,645,578; 1924, \$2,491,309; 1923, \$2,479,572.

*This Net Income before deducting \$288,044 (1926, \$346,111) for amortization allowances.

†After deducting \$878 Transportation for Investment—Cr.

Other Income above includes \$131,110 (1926, \$130,561; 1925, \$129,544) from Miscellaneous Non-operating Physical Property (St. Louis Bay Dock Co.), and \$753,098 (1926, \$695,617) Interest from Accounts and Deposits.

Equipment Dec. 31: Locos., 105; Pass., 34; Freight, 8,915.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	26.2%	22.8%	23.2%	28.7%	19.0%	24.2%
For Traffic, Transportation and General Expenses	20.6%	19.7%	20.5%	22.6%	20.8%	24.5%
For Fixed Charges	13.5%	16.3%	17.9%	21.8%	13.9%	12.1%
For Net Income	39.7%	41.2%	38.4%	26.9%	46.3%	39.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	4,182,246	4,801,298	4,568,991	3,457,230
Passenger miles per mile of road....	9,045	8,634	9,698	11,576
Miles, second and addit'l main track.	128	128	128	126
Miles, yards and sidings	321	324	317	308

See Notes, page 530.

CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC R. R.*(New Company Assumed Operation January 13, 1928)*

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1917	10,257	\$113,739,202	†\$4,468,632	1924	10,987	\$158,866,458	\$1,727,777
1921	10,809	146,765,766	13,240,414	1925	11,205	162,020,693	3,867,012
1922	11,030	156,950,628	5,999,707	1926	11,193	160,538,440	2,399,042
1923	11,011	169,628,338	†350,196	1927	*11,209	162,942,819	6,320,276

*Including 109 miles owned jointly and 990 miles operated under lease or contract; not including C., M. & G. Ry., operated separately. †Deficit.

STOCK OUTSTANDING

January, 1928

Common (no par)...1,174,060 shares
 *Preferred (5%)\$118,845,800
 †Adjustment Bonds (5%) 182,873,693

†BONDS OUTSTANDING

January, 1928

Fixed Interest\$227,762,096
 Equipment 35,245,669

*Non-cumulative, entitled to participate equally per share in dividends after 5% on the common stock, and to equal voting power. †Cumulative from January 1, 1930, entitled to at least one-third of available income up to \$7,500,000 and all as needed of any excess, and convertible each \$1,000 into 5 shares of preferred and 5 shares of common stock. ‡Not including \$22,129,000 bonds of C., T. H. & S. E. Ry., guaranteed principal and interest, on which interest is paid as part of rental, nor \$3,000,000 bonds of C., M. & G. Ry., guaranteed, on which interest is not accrued by C., M., St. P. & P. R.R. In April, 1928, \$24,000,000 General Mortgage 4½% bonds were sold and \$14,000,000 Gold 6% bonds called for redemption July 1.

CAPITALIZATION

	Total	Per Mile
Preferred Stock and Income Bonds.....	\$301,719,493	\$26,917
Bonds	263,007,765	23,464
Total	564,727,258	50,381

Fixed Charges below include \$2,599,547 for Net Joint Facility Rents, \$3,819,659 (1926, \$2,266,471; 1925, \$3,357,197) for Hire of Freight Cars, Dr. Bal., \$32,979 Net Rent for Other Equipment, \$1,051,471 for Rent for Leased Roads, and \$20,510,142 Interest accrued including on defaulted bonds. Annual fixed interest on funded debt outstanding in January, 1928, was \$12,424,555 and contingent interest of 5% on Adjustment bonds was \$9,143,685.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 11,209.		
Railway Operating Revenues	\$162,942,819	\$14,536
Railway Operating Expenses	133,505,998	11,910
Net Revenue from Railway Operations	29,436,821	2,626
Other Income (1926, \$1,263,506)	1,334,810	119
Gross Income	30,771,631	2,745
Fixed Charges (including for Taxes, \$8,869,507).....	37,091,907	3,309
Net Deficit	6,320,276	564

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$24,056,868)	\$27,944,845	\$2,493
Maintenance of Equipment (1926, \$36,458,014)	35,615,376	3,177
Traffic Expenses	3,849,551	343
Transportation Expenses (1926, \$59,664,366).....	60,284,086	5,378
Miscellaneous Operations and General Expenses.....	5,812,140	519

Operating Ratio 81.9% (1926, 80.0%; 1925, 80.5%; 1924, 79.3%; 1923, 79.6%).

Other Income includes \$366,154 from Lease of Road, \$434,553 from Miscellaneous Rents, and \$266,543 from Miscellaneous Non-operating Physical Property.

Equipment Dec. 31: Locos., 1,930; Pass., 1,422; Freight, 72,502; Floating, 9.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	38.6%	37.4%	37.8%	35.3%	35.8%	35.8%
For Other Oper. Exp.....	42.5%	41.9%	42.0%	43.0%	42.9%	45.9%
For Fixed Charges	22.5%	22.1%	22.5%	22.7%	21.1%	22.1%
For Net Income	Deficit	Deficit	Deficit	Deficit	0.2%	Deficit

	1927	1926	1925	1924
Ton miles per mile of road (11,205 mi.)	1,118,218	1,070,552	1,068,327	1,001,626
Pass. miles per mi. of rd. (10,648 mi.)	61,263	62,052	64,173	64,677
Miles, second and addit'l main track.	1,366	1,382	1,374	1,338
Miles, yards and sidings	4,244	3,805	3,803	3,774

See Notes, page 531.

GREAT NORTHERN RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	8,061	\$67,162,858	\$20,618,270	1923	8,254	\$120,077,771	\$18,067,947
1915-16	8,053	81,262,478	27,600,614	1924	8,251	110,243,104	17,941,600
1917	8,233	88,598,734	*17,654,537	1925	8,242	114,924,960	21,435,396
1921	8,163	101,317,204	*8,782,986	1926	8,188	117,383,909	25,943,258
1922	8,261	108,452,937	10,865,672	1927	†8,164	117,904,005	22,985,923

*Not including \$5,885,635 (1917) and \$12,453,840 (1921) extra C., B. & Q. dividends; and in 1921, \$7,233,100 accrued, unpaid, S., P. & S. bond interest.
†Including 3,428 miles branch lines.

STOCK OUTSTANDING

December 31, 1927

*Preferred\$248,967,250

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$325,608,515

Equipment 16,020,400

†Other 1,533,855

*Right to issue common stock was surrendered in 1898. Not including \$718,400 in treasury. †Including \$105,859,000 General Mortgage 7s issued in exchange for like amount of C., B. & Q. stock collateral 6½s. ‡Non-negotiable debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$6,500,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$248,967,250	\$30,496
Bonds	343,162,770	42,033
Total	592,130,020	72,529

Ownership of \$83,017,900 "Burlington" stock is represented in this capitalization.

Fixed Charges below include \$805,168 for Net Joint Facility Rents, \$994,896 (1926, \$808,499) for Net Equipment Rents, \$116,549 for Rent for Leased Roads, and \$257,348 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 8,164.		
Railway Operating Revenues.....	\$117,904,005	\$14,442
Railway Operating Expenses.....	78,355,579	9,598
Net Revenue from Railway Operations.....	39,548,426	4,844
Other Income (1926, \$13,175,670).....	12,838,500	1,572
Gross Income	52,386,926	6,416
Fixed Charges (including for Taxes, \$9,046,049)†.....	29,401,003	3,601
*Net Income (per Preferred Share, \$9.23).....	22,985,923	2,815

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$14,140,177).....	\$14,812,274	\$1,814
Maintenance of Equipment (1926, \$17,856,698).....	20,094,411	2,462
Traffic Expenses	2,645,367	324
†Transportation Expenses (1926, \$36,546,048).....	36,671,116	4,492
Miscellaneous Operations and General Expenses.....	4,132,411	506

Operating Ratio 66.5% (1926, 64.1%; 1925, 66.0%; 1924, 68.2%; 1923, 72.2%).

†Taxes 1926, \$9,699,807; 1925, \$9,801,945; 1924, \$10,257,741.

*Before deducting \$15,243 for sinking and other reserve funds.

†After deducting \$775,316 Transportation for Investment—Cr.

Other Income above includes \$630,518 from Miscellaneous Rents, \$69,318 from Miscellaneous Non-operating Physical Property, \$2,217,275 (1926, \$2,885,035; 1925, \$1,246,618) Income from Securities and Accounts, and \$9,663,283 (1926, \$9,472,727; 1925, \$9,810,875; 1924, \$9,287,584) from Dividends including approximately \$8,302,000 from Burlington stock.

Equip. Dec. 31: Locom., 1,247, incl. 5 electric; Pass., 977; Frt., 54,746.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	26.7%	24.6%	24.9%	25.4%	28.2%	28.3%
For Other Oper. Exp.....	33.3%	33.1%	35.1%	36.2%	37.9%	40.5%
For Fixed Charges.....	22.5%	22.4%	23.0%	23.6%	20.1%	21.8%
For Net Income.....	17.5%	19.9%	17.0%	14.8%	13.8%	9.4%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,097,280	1,087,291	1,033,465	980,815
Passenger miles per mile of road.....	50,289	51,287	53,566	51,188
Miles, second and addit'l main track.	425	425	423	425
Miles, yards and sidings.....	2,561	2,570	2,578	2,579

See Notes, page 539.

MINERAL RANGE R. R.

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1922	98	\$327,665	\$161,648	1925	88	\$501,043	†\$486
1923	99	472,133	34,241	1926	59	285,177	90,055
1924	89	484,227	39,203	1927	*59	263,403	97,362

*Not including 11 miles owned but not operated and 8 miles Hancock & Calumet R.R., leased. †Net Income.

STOCK OUTSTANDING

December 31, 1927

*Common\$1,500,000

BONDS OUTSTANDING

December 31, 1927

Fixed Interest\$1,918,000

†Other 131,165

*Owned \$794,200 by Duluth, South Shore & Atlantic Ry. †Non-negotiable debt to D., S. S. & A. Ry.

Balance sheet December 31, 1927, showed \$443,340 matured equipment obligations, bonds and interest unpaid and \$718,680 deficit to Profit and Loss.

CAPITALIZATION

	Total	Per Mile
Stock	\$1,500,000	\$25,424
Bonds	2,049,165	34,731
Total	3,549,165	60,155

Fixed Charges below include \$83,360 for Interest on Funded Debt and \$15,638 for Interest on Unfunded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 59.		
Railway Operating Revenues	\$263,403	\$4,464
Railway Operating Expenses	260,519	4,415
Net Revenue from Railway Operations	2,884	49
Other Income (1926, \$45,712)	38,292	649
Gross Income	41,176	698
Fixed Charges (including for Taxes, \$39,545)†.....	138,538	2,348
Net Deficit	97,362	1,650

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$63,608)	\$63,253	\$1,072
Maintenance of Equipment (1926, \$50,184)	53,927	914
Traffic Expenses	2,566	43
†Transportation Expenses (1926, \$144,155)	130,280	2,208
Miscellaneous Operations and General Expenses	10,493	178

Operating Ratio 98.9% (1926, 95.3%; 1925, 79.8%; 1924, 90.8%; 1923, 88.0%).

†Taxes 1926, \$50,186; 1925, \$57,238; 1924, \$57,388; 1923, \$52,013.

†After deducting \$38 Transportation for Investment—Cr.

Other Income above includes \$4,028 (1926, \$12,259) from Hire of Freight Cars, Cr. Bal., \$2,141 Net Rent from Other Equipment, \$17,331 from Net Joint Facility Rents, \$4,378 from Miscellaneous Rents, \$782 from Miscellaneous Non-operating Physical Property, and \$9,634 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 12; Pass., 1; Freight, 870.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	38.8%	34.4%	32.7%	39.9%	35.6%	43.7%
For Traffic, Transportation and General Expenses	47.5%	47.7%	39.0%	41.3%	44.8%	57.4%
For Fixed Charges	45.9%	45.1%	28.2%	26.0%	26.3%	44.1%
For Net Income	Deficit	Deficit	0.1%	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	75,719	86,316	158,487	143,436
Passenger miles per mile of road....	1,215	1,821	983	809

See Notes, page 546.

MINNEAPOLIS & ST. LOUIS R. R.

(Receivers Appointed July, 1923)

Year	Mileage	Oper. R-v.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1914-15	1,646	\$10,111,975	*\$39,082	1923	1,650	\$16,524,960	\$1,212,105
1915-16	1,646	10,721,512	*639,471	1924	1,647	15,097,126	2,996,391
1917	1,646	11,005,062	*651,050	1925	1,635	15,074,273	1,905,210
1921	1,651	16,185,130	1,824,665	1926	1,628	14,733,725	2,017,136
1922	1,650	15,558,247	1,161,924	1927	†1,628	14,413,217	2,064,193

*Net Income. In 1924 \$820,180 expended for rehabilitation and improvement was included in operating expenses. †Includes 114 miles trackage.

STOCK OUTSTANDING

December 31, 1927

Common\$25,792,600

BONDS OUTSTANDING

December 31, 1927

*Mortgage Bonds\$41,359,051

Equipment 1,708,675

†Notes to Govt. (6%)..... 2,007,000

*Not including \$4,980,044 Refunding and Extension 5s owned and, excepting \$318,044, pledged. †Due \$625,000 in 1930, \$1,382,000 in 1931.

Loans and Bills Payable, December 31, 1927, \$2,855,597; Receiver's Certificates, \$1,950,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$25,792,600	\$15.843
Bonds	45,074,726	27.687
Total	70,867,326	43.530

Fixed Charges below include \$123,241 (1926, \$91,449; 1925, \$7,493) for Net Joint Facility Rents, \$550,234 (1926, \$361,269) for Net Hire of Equipment, \$128,799 for Amortization of Discount on Funded Debt, and \$2,016,453 for Interest on Funded Debt including accruals on defaulted bonds.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,628.		
Railway Operating Revenues	\$14,413,217	\$8,853
Railway Operating Expenses	12,842,315	7,888
Net Revenue from Railway Operations	1,570,902	965
Other Income (1926, \$165,742).....	134,625	83
Gross Income	1,705,527	1,048
Fixed Charges (including for Taxes, \$709,545)†.....	3,769,720	2,316
Net Deficit	2,064,193	1,268

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,459,003)	\$2,226,011	\$1,367
Maintenance of Equipment (1926, \$3,284,039)	3,144,562	1,931
Traffic Expenses	429,315	264
†Transportation Expenses (1926, \$6,603,939)	6,493,960	3,989
Miscellaneous Operations and General Expenses	548,467	337

Operating Ratio 89.1% (1926, 90.3%; 1925, 87.7%; 1924, 96.3%; 1923, 86.5%).

†Taxes 1926, \$750,465; 1925, \$760,858; 1924, \$726,965; 1923, \$790,884.

†After deducting \$16,154 Transportation for Investment—Cr.

Other Income above includes \$6,070 from Lease of Road, \$44,241 from Miscellaneous Rents, \$14,479 Release of Premium on Funded Debt, and \$44,144 from Dividends including \$40,000 (1926, \$60,000) from Hocking Coal Co.

Equipment Dec. 31: Locos., 218; Pass., 123; Freight, 7,002.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	36.7%	38.5%	37.7%	45.2%	36.7%	33.1%
For Traffic, Transportation and General Expenses	51.4%	50.8%	49.8%	50.1%	48.9%	52.3%
For Fixed Charges	25.9%	24.2%	25.1%	24.2%	21.7%	22.1%
For Net Income	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	739,647	767,712	744,205	732,856
Passenger miles per mile of road....	20,857	23,622	25,377	26,530
Miles, second and addit'l main track.	*28	28	28	28
Miles, yards and sidings.....	*410	413	420	421

*Including 19 and 31 miles of trackage rights respectively.

See Notes, page 546.

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1914-15	3,044	\$17,817,855	\$2,974,004	1923	3,322	\$28,957,095	\$1,241,429
1915-16	3,148	22,804,825	6,169,576	1924	3,321	28,724,694	846,407
1917	3,169	20,726,280	2,746,430	1925	3,320	29,264,749	1,788,499
1921	3,240	26,185,803	†3,472,158	1926	3,319	26,943,715	145,617
1922	3,326	28,266,940	499,046	1927	*3,314	29,412,381	2,044,951

*Not including Wisconsin Central Ry., 1,155 miles. †Deficit.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$25,206,800
†Preferred (7%)	12,603,400

‡BONDS OUTSTANDING

December 31, 1927

Fixed Interest	\$87,047,000
§Equipment	5,632,000
Leased Line •Ctfs. (4%)..	11,249,500
**Other	4,693,200

*Owned \$12,723,500 common and \$6,361,800 preferred stock by Canadian Pacific Ry. †Non-cumulative; shares equally in dividends after 7% on common stock. ‡Not including subsidiaries' bonds guaranteed; see Notes. §Including \$2,745,291 W. C. Ry. proportion for which this company holds W. C. Ry. equipment contracts. **\$3,398,200 5½% notes issued (with \$7,182 in treasury) for \$7,873,600 W. C. Ry. common stock; to be retired by sinking fund beginning 1930; also including \$1,295,000 debt to affiliated companies.

Loans and Bills Payable, December 31, 1927, \$1,325,000.

CAPITALIZATION

	Total	Per Mile
Stock	\$37,810,200	\$11.409
Bonds	108,621,700	32.776
Total	146,431,900	44.185

Fixed Charges include \$117,625 for Net Joint Facility Rents, \$192,852 (credits: 1926, \$138,669; 1925, \$211,442) for Net Hire of Equipment, \$20,915 for Miscellaneous Rents, and \$83,210 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 3,314.		
Railway Operating Revenues	\$29,412,381	\$8.875
Railway Operating Expenses	20,834,958	6.126
Net Revenue from Railway Operations	9,077,423	2.739
Other Income (1926, \$572,643)	466,616	140
Gross Income	9,544,039	2.879
Fixed Charges (including for Taxes, \$1,980,743)†.....	7,499,088	2.262
*Net Income (per Common Share, \$4.61).....	2,044,951	617

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$3,880,532)	\$3,851,931	\$1.162
Maintenance of Equipment (1926, \$5,366,330)	5,189,420	1.565
Traffic Expenses	497,646	150
†Transportation Expenses (1926, \$9,614,394)	9,895,866	2.987
Miscellaneous Operations and General Expenses	900,095	272

Operating Ratio 69.1% (1926, 75.2%; 1925, 70.7%; 1924, 74.0%; 1923, 75.6%).

†Taxes 1926, \$1,818,735; 1925, \$2,147,688; 1924, \$1,974,515; 1923, \$1,888,811.

*Before deducting \$24,749 applied to sinking and other reserve funds.

†After deducting \$39,718 Transportation for Investment—Cr.

Other Income above includes \$58,598 from Miscellaneous Rents, \$12,287 debit credit, 1926, \$20,258) account Miscellaneous Non-operating Physical Property, \$389,650 Income from Securities, Accounts, and Funds, and \$18,585 (1926, \$19,969) from Dividends (no dividends were paid by Wisconsin Central Ry. 1922 to 1927 inclusive).

Equipment Dec. 31; Locos., 206; Pass., 265; Freight, 15,728.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	30.3%	33.6%	31.0%	32.6%	30.5%	30.1%
For Other Oper. Exp.....	37.8%	40.0%	38.1%	39.9%	41.8%	43.3%
For Fixed Charges	25.1%	25.9%	24.9%	24.7%	23.6%	24.9%
For Net Income.....	6.8%	0.5%	6.0%	2.8%	4.1%	1.7%

	1927	1926	1925	1924
Ton miles per mile of road.....	654,121	569,485	607,692	601,099
Passenger miles per mile of road....	30,254	32,150	35,098	34,874

See Notes, page 549.

WISCONSIN CENTRAL RY.*(Minneapolis, St. Paul & Sault Ste. Marie Ry.—Chicago Division)*

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	1,086	\$8,749,452	†\$281,279	1921	1,126	\$16,559,636	†\$2,765,515
1911-12	1,091	9,493,297	504,650	1922	1,130	18,840,165	498,370
1912-13	1,092	10,795,233	1,093,350	1923	1,148	20,388,242	433,563
1913-14	1,123	10,501,255	517,696	1924	1,155	19,220,666	†823,616
1914-15	1,120	9,945,370	136,732	1925	1,155	20,405,515	308,480
1915-16	1,124	12,205,239	2,056,858	1926	1,156	19,913,023	†105,494
1917	1,126	13,814,211	1,682,009	1927	*1,156	19,744,628	†478,298

*Includes 22 miles leased and 103 miles trackage rights (of which 66 miles Soo Line tracks). †Deficit.

***STOCK OUTSTANDING**

December 31, 1927

Common	\$16,126,300
Preferred (4%)	11,265,900

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$34,914,000
†Equipment	2,745,291
Notes due 1930 (5%)	7,500,000
Due M., St. P. & S. S. M. Ry.	2,122,661

*Owned \$15,977,700 common and \$11,249,500 preferred stock by M., St. P. & S. S. M. Ry. Not including \$1,373,700 common and \$1,234,100 preferred stock held in treasury. Preferred stock is non-cumulative; shares equally in dividends after 4% on common stock. †Not including \$60,000 bonds owned unpledged and \$10,000,000 pledged to secure notes. †Held by M., St. P. & S. S. M. Ry.

CAPITALIZATION

	Total	Per Mile
Stock	\$27,392,200	\$23,696
Bonds	47,281,952	40,901
Total	74,674,152	64,597

Fixed Charges below include \$614,587 (1926, \$616,537) for Net Joint Facility Rents, \$859,076 (1926, \$744,596) for Net Hire of Equipment, \$248,347 for Rent for Leased Roads, and \$119,618 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 1,156.		
Railway Operating Revenues	\$19,744,628	\$17,080
Railway Operating Expenses	15,400,655	13,322
Net Revenue from Railway Operations	4,343,973	3,758
Other Income (1926, \$59,117)	97,513	84
Gross Income	4,441,486	3,842
Fixed Charges (including for Taxes, \$983,672)†	4,919,784	4,255
Net Deficit	478,298	413

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$2,645,899)	\$2,649,504	\$2,292
Maintenance of Equipment (1926, \$3,479,961)	3,505,993	3,032
Traffic Expenses	390,489	337
†Transportation Expenses (1926, \$8,155,304)	8,088,554	6,998
Miscellaneous Operations and General Expenses	766,115	663

Operating Ratio 78.0% (1926, 77.6%; 1925, 75.4%; 1924, 80.9%; 1923, 77.1%).

†Taxes 1926, \$981,075; 1925, \$1,116,857; 1924, \$1,108,207; 1923, \$1,118,128.

†After deducting \$22,246 Transportation for Investment—Cr.

Other Income above includes \$48,066 from Miscellaneous Rents, \$42,585 Income from Unfunded Securities and Accounts, and \$6,059 (1926, \$51,906 debit; 1925, \$55,227 credit) from Miscellaneous Non-operating Physical Property.

Equipment Dec. 31: Locos., 187; Pass., 166; Freight, 9,044.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	31.0%	30.7%	29.3%	30.8%	28.7%	27.8%
For Traffic, Transportation and General Expenses	46.5%	46.7%	45.7%	49.3%	47.9%	49.7%
For Fixed Charges	24.7%	23.2%	23.5%	23.9%	21.3%	19.9%
For Net Income	Deficit	Deficit	1.5%	Deficit	2.1%	2.6%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,257,213	1,229,909	1,292,280	1,221,955
Passenger miles per mile of road.....	70,488	77,478	75,619	75,859

See Notes, page 552.

MONTANA, WYOMING & SOUTHERN R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	29	\$312,865	\$51,029	1925	27	\$269,124	\$34,440
1923	27	299,574	43,410	1926	27	234,555	31,606
1924	27	314,312	52,955	1927	27	279,812	45,669

STOCK OUTSTANDING

December 31, 1927

Common	\$1,000,000
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BONDS OUTSTANDING

December 31, 1927

*First Mortgage (5%).....	\$835,000
Equipment	9,011

*Not including \$30,360 in treasury.
Loans and Bills Payable, December 31, 1927, \$10,078.

CAPITALIZATION

	Total	Per Mile
Stock	\$1,000,000	\$37,037
Bonds	844,011	31,259
Total	1,844,011	68,296

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 27. .		
Railway Operating Revenues.....	\$279,812	\$10,363
Railway Operating Expenses.....	192,615	7,134
Net Revenue from Railway Operations.....	87,197	3,229
Other Income (1926, \$90,828).....	20,176	747
Gross Income	107,373	3,976
Fixed Charges (including for Taxes, \$17,203)†.....	61,704	2,285
Net Income	45,669	1,691

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$25,483).....	\$45,968	\$1,703
Maintenance of Equipment (1926, \$44,282).....	41,497	1,537
Traffic Expenses	490	18
†Transportation Expenses (1926, \$55,499).....	60,671	2,247
Miscellaneous Operations and General Expenses.....	43,989	1,629

Operating Ratio 68.8% (1926, 70.2%; 1925, 70.6%; 1924, 68.8%; 1923, 75.5%).

†Taxes 1926, \$15,335; 1925, \$16,857; 1924, \$18,973; 1923, \$17,364.

†After deducting \$452 Transportation for Investment—Cr.

Other Income above includes \$14,338 from Hire of Freight Cars, Cr. Bal. and \$4,733 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 3; Pass., 2; Freight, 117.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses	29.2%	27.3%	33.2%	32.0%	35.6%	26.7%
For Traffic, Transportation and General Expenses	35.0%	37.2%	33.3%	33.1%	33.0%	38.3%
For Fixed Charges.....	20.6%	23.2%	21.4%	18.9%	18.2%	18.9%
For Net Income.....	15.2%	12.3%	12.1%	16.0%	13.2%	16.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	374,431	287,540	323,669	373,497
Passenger miles per mile of road.....	2,578	2,597	2,785	3,875
Miles, yards and sidings.....	9	8	8	8

See Notes, page 553.

NORTHERN PACIFIC RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1912-13	6,260	\$72,676,189	\$21,563,518	1922	6,641	\$96,076,066	\$15,056,929
1913-14	6,325	68,544,802	19,655,247	1923	6,669	102,002,060	12,981,428
1914-15	6,461	63,171,653	18,822,820	1924	6,680	95,292,404	15,970,244
1915-16	6,501	75,939,231	25,729,874	1925	6,694	97,864,554	17,944,287
1917	6,523	88,225,728	*24,117,051	1926	6,682	97,351,042	21,002,732
1921	6,658	94,538,059	*9,613,869	1927	†6,670	95,574,816	18,538,424

*Not including \$5,885,635 and \$12,451,530 extra dividends received from "Burlington" stock in these respective years. †Including 8,698 miles of branches.

STOCK OUTSTANDING

December 31, 1927

Common\$248,000,000

BONDS OUTSTANDING

December 31, 1927

*Fixed Interest\$311,577,000

Equipment 6,655,000

*Not including \$17,170,500 held by or for company.

CAPITALIZATION

	Total	Per Mile
Stock	\$248,000,000	\$37,181
Bonds	318,232,000	47,711
Total	566,232,000	84,892

Ownership of \$88,017,900 "Burlington" stock is represented in this capitalization.

Fixed Charges below include \$128,241 for Rentals and \$34,964 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 6,670.		
Railway Operating Revenues	\$95,574,816	\$14,329
Railway Operating Expenses	67,854,739	10,173
Net Revenue from Railway Operations	27,720,077	4,156
Other Income (1926, \$16,388,998)	15,234,956	2,284
Gross Income	42,955,033	6,440
Fixed Charges (including for Taxes, \$8,907,124)†.....	24,416,609	3,661
*Net Income (per Common Share, \$7.47).....	18,538,424	2,779

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$12,297,403)	\$11,965,278	\$1,794
Maintenance of Equipment (1926, \$17,414,638)	17,865,172	2,678
Traffic Expenses	2,336,114	350
†Transportation Expenses (1926, \$31,631,859)	31,086,719	4,661
Miscellaneous Operations and General Expenses	4,601,456	690

Operating Ratio 71.0% (1926, 70.1%; 1925, 71.5%; 1924, 74.0%; 1923, 78.8%).

†Taxes 1926, \$9,151,147; 1925, \$9,346,896; 1924, \$8,546,758; 1923, \$8,462,891.

*This Net Income before deducting \$12,400,000 for dividends.

†After deducting \$815,573 Transportation for Investment—Cr.

Other Income above includes \$1,728,209 (1926, \$2,300,954; 1925, \$1,855,790) from Net Equipment Rents, \$1,728,209 (1926, \$1,994,468; 1925, \$1,851,722) from Net Joint Facility Rents, \$513,619 from Miscellaneous Rents, \$330,513 from Lease of Road, \$263,131 from Miscellaneous Non-operating Physical Property, \$986,457 (1926, \$1,708,444; 1925, \$649,976) Income from Securities and Accounts, and \$9,836,122 (1926, \$9,334,789; 1925, \$9,328,273; 1924, \$9,333,499) from Dividends.

Equipment Dec. 31: Locos., 1,220; Pass., 997; Freight, 49,494.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses..	26.9%	26.1%	26.9%	28.0%	31.2%	27.6%
For Traffic, Transportation and General Expenses	34.3%	33.9%	35.2%	35.9%	37.4%	37.4%
For Fixed Charges	22.1%	21.5%	22.0%	21.7%	20.3%	21.5%
For Net Income	16.7%	18.5%	15.9%	14.4%	11.1%	13.5%

	1927	1926	1925	1924
Ton miles per mile of road (6,646 mi.)	988,786	997,109	1,008,592	980,355
Pass. miles per mi. of road (6,143 mi.)	61,857	65,726	63,721	61,844
Miles, second and addit'l main track.	845	845	843	856
Miles, yards and sidings	2,791	2,785	2,795	3,019

See Notes, page 554.

UNION PACIFIC R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	6,675	\$67,321,971	\$29,973,761	1921	8,306	\$181,446,913	\$61,801,075
1911-12	7,180	64,120,087	34,039,808	1922	9,406	192,877,121	62,889,729
1912-13	7,349	61,810,397	36,777,104	1923	9,699	211,313,086	66,647,919
1913-14	7,597	60,324,743	33,049,944	1924	9,810	199,026,118	66,763,235
1914-15	7,784	66,964,296	37,444,359	1925	9,548	198,089,901	66,267,000
1915-16	7,918	104,717,046	36,749,134	1926	9,647	206,416,369	66,664,749
1917	7,967	120,101,364	41,526,289	1927	9,678	208,891,623	66,665,288

*Including Los Angeles & Salt Lake R.R. (1,187 miles) from January 1, 1921.

STOCK OUTSTANDING

(December 31, 1927)

Common \$122,321,000

*Preferred (4%) \$9,548,000

*Non-cumulative. *Not including \$126,482,800 bonds owned within the system, unpledged except \$37,677,000 Los Angeles & Salt Lake R.R. First 4s.

BONDS OUTSTANDING

(December 31, 1927)

*Fixed Interest \$669,769,000

Equipment \$1,537,000

CAPITALIZATION

	Total	Per Mile
Stock	\$122,321,000	\$16.354
Bonds	611,317,075	43.000
Total	733,638,075	79.354

Fixed Charges below include \$1,118,800 (1926, \$778,477) for Net Joint Facility Rents, and \$4,944,818 (1926, \$3,000,230, 1925, \$4,000,384, 1924, \$4,274,781) for Joint Equipment Rents in part paid to Pacific Fruit Express Co. of which half the stock is owned by Union Pacific R.R.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 9,671		
Railway Operating Revenues	\$181,446,913	\$18.657
Railway Operating Expenses	169,224,402	17.499
Net Revenue from Railway Operations	12,222,511	1.260
Other Income (1926, \$17,129,044)	12,426,000	1.286
Other Income	11,992,510	1.232
Fixed Charges (including for Taxes, \$15,000,000)	62,227,975	6.434
*Net Income (per Common Share, \$16.05)	\$6,065,535	6.260

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$26,100,949)	\$27,397,323	2.832
Maintenance of Equipment (1926, \$26,010,125)	27,399,400	2.834
Traffic Expenses	4,579,285	4.735
Transportation Expenses (1926, \$22,200,149)	22,400,200	2.316
Miscellaneous Operations and General Expenses	11,961,000	1.235

Operating Ratio 93.6% (1926, 92.5%, 1925, 92.1%, 1924, 91.2%, 1923, 91.0%, 1922, 91.4%, 1921, 91.4%, 1920, 91.4%, 1919, 91.4%, 1918, 91.4%, 1917, 91.4%, 1916, 91.4%, 1915, 91.4%, 1914, 91.4%, 1913, 91.4%, 1912, 91.4%, 1911, 91.4%, 1910, 91.4%, 1909, 91.4%, 1908, 91.4%, 1907, 91.4%, 1906, 91.4%, 1905, 91.4%, 1904, 91.4%, 1903, 91.4%, 1902, 91.4%, 1901, 91.4%, 1900, 91.4%, 1899, 91.4%, 1898, 91.4%, 1897, 91.4%, 1896, 91.4%, 1895, 91.4%, 1894, 91.4%, 1893, 91.4%, 1892, 91.4%, 1891, 91.4%, 1890, 91.4%, 1889, 91.4%, 1888, 91.4%, 1887, 91.4%, 1886, 91.4%, 1885, 91.4%, 1884, 91.4%, 1883, 91.4%, 1882, 91.4%, 1881, 91.4%, 1880, 91.4%, 1879, 91.4%, 1878, 91.4%, 1877, 91.4%, 1876, 91.4%, 1875, 91.4%, 1874, 91.4%, 1873, 91.4%, 1872, 91.4%, 1871, 91.4%, 1870, 91.4%, 1869, 91.4%, 1868, 91.4%, 1867, 91.4%, 1866, 91.4%, 1865, 91.4%, 1864, 91.4%, 1863, 91.4%, 1862, 91.4%, 1861, 91.4%, 1860, 91.4%, 1859, 91.4%, 1858, 91.4%, 1857, 91.4%, 1856, 91.4%, 1855, 91.4%, 1854, 91.4%, 1853, 91.4%, 1852, 91.4%, 1851, 91.4%, 1850, 91.4%, 1849, 91.4%, 1848, 91.4%, 1847, 91.4%, 1846, 91.4%, 1845, 91.4%, 1844, 91.4%, 1843, 91.4%, 1842, 91.4%, 1841, 91.4%, 1840, 91.4%, 1839, 91.4%, 1838, 91.4%, 1837, 91.4%, 1836, 91.4%, 1835, 91.4%, 1834, 91.4%, 1833, 91.4%, 1832, 91.4%, 1831, 91.4%, 1830, 91.4%, 1829, 91.4%, 1828, 91.4%, 1827, 91.4%, 1826, 91.4%, 1825, 91.4%, 1824, 91.4%, 1823, 91.4%, 1822, 91.4%, 1821, 91.4%, 1820, 91.4%, 1819, 91.4%, 1818, 91.4%, 1817, 91.4%, 1816, 91.4%, 1815, 91.4%, 1814, 91.4%, 1813, 91.4%, 1812, 91.4%, 1811, 91.4%, 1810, 91.4%, 1809, 91.4%, 1808, 91.4%, 1807, 91.4%, 1806, 91.4%, 1805, 91.4%, 1804, 91.4%, 1803, 91.4%, 1802, 91.4%, 1801, 91.4%, 1800, 91.4%, 1799, 91.4%, 1798, 91.4%, 1797, 91.4%, 1796, 91.4%, 1795, 91.4%, 1794, 91.4%, 1793, 91.4%, 1792, 91.4%, 1791, 91.4%, 1790, 91.4%, 1789, 91.4%, 1788, 91.4%, 1787, 91.4%, 1786, 91.4%, 1785, 91.4%, 1784, 91.4%, 1783, 91.4%, 1782, 91.4%, 1781, 91.4%, 1780, 91.4%, 1779, 91.4%, 1778, 91.4%, 1777, 91.4%, 1776, 91.4%, 1775, 91.4%, 1774, 91.4%, 1773, 91.4%, 1772, 91.4%, 1771, 91.4%, 1770, 91.4%, 1769, 91.4%, 1768, 91.4%, 1767, 91.4%, 1766, 91.4%, 1765, 91.4%, 1764, 91.4%, 1763, 91.4%, 1762, 91.4%, 1761, 91.4%, 1760, 91.4%, 1759, 91.4%, 1758, 91.4%, 1757, 91.4%, 1756, 91.4%, 1755, 91.4%, 1754, 91.4%, 1753, 91.4%, 1752, 91.4%, 1751, 91.4%, 1750, 91.4%, 1749, 91.4%, 1748, 91.4%, 1747, 91.4%, 1746, 91.4%, 1745, 91.4%, 1744, 91.4%, 1743, 91.4%, 1742, 91.4%, 1741, 91.4%, 1740, 91.4%, 1739, 91.4%, 1738, 91.4%, 1737, 91.4%, 1736, 91.4%, 1735, 91.4%, 1734, 91.4%, 1733, 91.4%, 1732, 91.4%, 1731, 91.4%, 1730, 91.4%, 1729, 91.4%, 1728, 91.4%, 1727, 91.4%, 1726, 91.4%, 1725, 91.4%, 1724, 91.4%, 1723, 91.4%, 1722, 91.4%, 1721, 91.4%, 1720, 91.4%, 1719, 91.4%, 1718, 91.4%, 1717, 91.4%, 1716, 91.4%, 1715, 91.4%, 1714, 91.4%, 1713, 91.4%, 1712, 91.4%, 1711, 91.4%, 1710, 91.4%, 1709, 91.4%, 1708, 91.4%, 1707, 91.4%, 1706, 91.4%, 1705, 91.4%, 1704, 91.4%, 1703, 91.4%, 1702, 91.4%, 1701, 91.4%, 1700, 91.4%, 1699, 91.4%, 1698, 91.4%, 1697, 91.4%, 1696, 91.4%, 1695, 91.4%, 1694, 91.4%, 1693, 91.4%, 1692, 91.4%, 1691, 91.4%, 1690, 91.4%, 1689, 91.4%, 1688, 91.4%, 1687, 91.4%, 1686, 91.4%, 1685, 91.4%, 1684, 91.4%, 1683, 91.4%, 1682, 91.4%, 1681, 91.4%, 1680, 91.4%, 1679, 91.4%, 1678, 91.4%, 1677, 91.4%, 1676, 91.4%, 1675, 91.4%, 1674, 91.4%, 1673, 91.4%, 1672, 91.4%, 1671, 91.4%, 1670, 91.4%, 1669, 91.4%, 1668, 91.4%, 1667, 91.4%, 1666, 91.4%, 1665, 91.4%, 1664, 91.4%, 1663, 91.4%, 1662, 91.4%, 1661, 91.4%, 1660, 91.4%, 1659, 91.4%, 1658, 91.4%, 1657, 91.4%, 1656, 91.4%, 1655, 91.4%, 1654, 91.4%, 1653, 91.4%, 1652, 91.4%, 1651, 91.4%, 1650, 91.4%, 1649, 91.4%, 1648, 91.4%, 1647, 91.4%, 1646, 91.4%, 1645, 91.4%, 1644, 91.4%, 1643, 91.4%, 1642, 91.4%, 1641, 91.4%, 1640, 91.4%, 1639, 91.4%, 1638, 91.4%, 1637, 91.4%, 1636, 91.4%, 1635, 91.4%, 1634, 91.4%, 1633, 91.4%, 1632, 91.4%, 1631, 91.4%, 1630, 91.4%, 1629, 91.4%, 1628, 91.4%, 1627, 91.4%, 1626, 91.4%, 1625, 91.4%, 1624, 91.4%, 1623, 91.4%, 1622, 91.4%, 1621, 91.4%, 1620, 91.4%, 1619, 91.4%, 1618, 91.4%, 1617, 91.4%, 1616, 91.4%, 1615, 91.4%, 1614, 91.4%, 1613, 91.4%, 1612, 91.4%, 1611, 91.4%, 1610, 91.4%, 1609, 91.4%, 1608, 91.4%, 1607, 91.4%, 1606, 91.4%, 1605, 91.4%, 1604, 91.4%, 1603, 91.4%, 1602, 91.4%, 1601, 91.4%, 1600, 91.4%, 1599, 91.4%, 1598, 91.4%, 1597, 91.4%, 1596, 91.4%, 1595, 91.4%, 1594, 91.4%, 1593, 91.4%, 1592, 91.4%, 1591, 91.4%, 1590, 91.4%, 1589, 91.4%, 1588, 91.4%, 1587, 91.4%, 1586, 91.4%, 1585, 91.4%, 1584, 91.4%, 1583, 91.4%, 1582, 91.4%, 1581, 91.4%, 1580, 91.4%, 1579, 91.4%, 1578, 91.4%, 1577, 91.4%, 1576, 91.4%, 1575, 91.4%, 1574, 91.4%, 1573, 91.4%, 1572, 91.4%, 1571, 91.4%, 1570, 91.4%, 1569, 91.4%, 1568, 91.4%, 1567, 91.4%, 1566, 91.4%, 1565, 91.4%, 1564, 91.4%, 1563, 91.4%, 1562, 91.4%, 1561, 91.4%, 1560, 91.4%, 1559, 91.4%, 1558, 91.4%, 1557, 91.4%, 1556, 91.4%, 1555, 91.4%, 1554, 91.4%, 1553, 91.4%, 1552, 91.4%, 1551, 91.4%, 1550, 91.4%, 1549, 91.4%, 1548, 91.4%, 1547, 91.4%, 1546, 91.4%, 1545, 91.4%, 1544, 91.4%, 1543, 91.4%, 1542, 91.4%, 1541, 91.4%, 1540, 91.4%, 1539, 91.4%, 1538, 91.4%, 1537, 91.4%, 1536, 91.4%, 1535, 91.4%, 1534, 91.4%, 1533, 91.4%, 1532, 91.4%, 1531, 91.4%, 1530, 91.4%, 1529, 91.4%, 1528, 91.4%, 1527, 91.4%, 1526, 91.4%, 1525, 91.4%, 1524, 91.4%, 1523, 91.4%, 1522, 91.4%, 1521, 91.4%, 1520, 91.4%, 1519, 91.4%, 1518, 91.4%, 1517, 91.4%, 1516, 91.4%, 1515, 91.4%, 1514, 91.4%, 1513, 91.4%, 1512, 91.4%, 1511, 91.4%, 1510, 91.4%, 1509, 91.4%, 1508, 91.4%, 1507, 91.4%, 1506, 91.4%, 1505, 91.4%, 1504, 91.4%, 1503, 91.4%, 1502, 91.4%, 1501, 91.4%, 1500, 91.4%, 1499, 91.4%, 1498, 91.4%, 1497, 91.4%, 1496, 91.4%, 1495, 91.4%, 1494, 91.4%, 1493, 91.4%, 1492, 91.4%, 1491, 91.4%, 1490, 91.4%, 1489, 91.4%, 1488, 91.4%, 1487, 91.4%, 1486, 91.4%, 1485, 91.4%, 1484, 91.4%, 1483, 91.4%, 1482, 91.4%, 1481, 91.4%, 1480, 91.4%, 1479, 91.4%, 1478, 91.4%, 1477, 91.4%, 1476, 91.4%, 1475, 91.4%, 1474, 91.4%, 1473, 91.4%, 1472, 91.4%, 1471, 91.4%, 1470, 91.4%, 1469, 91.4%, 1468, 91.4%, 1467, 91.4%, 1466, 91.4%, 1465, 91.4%, 1464, 91.4%, 1463, 91.4%, 1462, 91.4%, 1461, 91.4%, 1460, 91.4%, 1459, 91.4%, 1458, 91.4%, 1457, 91.4%, 1456, 91.4%, 1455, 91.4%, 1454, 91.4%, 1453, 91.4%, 1452, 91.4%, 1451, 91.4%, 1450, 91.4%, 1449, 91.4%, 1448, 91.4%, 1447, 91.4%, 1446, 91.4%, 1445, 91.4%, 1444, 91.4%, 1443, 91.4%, 1442, 91.4%, 1441, 91.4%, 1440, 91.4%, 1439, 91.4%, 1438, 91.4%, 1437, 91.4%, 1436, 91.4%, 1435, 91.4%, 1434, 91.4%, 1433, 91.4%, 1432, 91.4%, 1431, 91.4%, 1430, 91.4%, 1429, 91.4%, 1428, 91.4%, 1427, 91.4%, 1426, 91.4%, 1425, 91.4%, 1424, 91.4%, 1423, 91.4%, 1422, 91.4%, 1421, 91.4%, 1420, 91.4%, 1419, 91.4%, 1418, 91.4%, 1417, 91.4%, 1416, 91.4%, 1415, 91.4%, 1414, 91.4%, 1413, 91.4%, 1412, 91.4%, 1411, 91.4%, 1410, 91.4%, 1409, 91.4%, 1408, 91.4%, 1407, 91.4%, 1406, 91.4%, 1405, 91.4%, 1404, 91.4%, 1403, 91.4%, 1402, 91.4%, 1401, 91.4%, 1400, 91.4%, 1399, 91.4%, 1398, 91.4%, 1397, 91.4%, 1396, 91.4%, 1395, 91.4%, 1394, 91.4%, 1393, 91.4%, 1392, 91.4%, 1391, 91.4%, 1390, 91.4%, 1389, 91.4%, 1388, 91.4%, 1387, 91.4%, 1386, 91.4%, 1385, 91.4%, 1384, 91.4%, 1383, 91.4%, 1382, 91.4%, 1381, 91.4%, 1380, 91.4%, 1379, 91.4%, 1378, 91.4%, 1377, 91.4%, 1376, 91.4%, 1375, 91.4%, 1374, 91.4%, 1373, 91.4%, 1372, 91.4%, 1371, 91.4%, 1370, 91.4%, 1369, 91.4%, 1368, 91.4%, 1367, 91.4%, 1366, 91.4%, 1365, 91.4%, 1364, 91.4%, 1363, 91.4%, 1362, 91.4%, 1361, 91.4%, 1360, 91.4%, 1359, 91.4%, 1358, 91.4%, 1357, 91.4%, 1356, 91.4%, 1355, 91.4%, 1354, 91.4%, 1353, 91.4%, 1352, 91.4%, 1351, 91.4%, 1350, 91.4%, 1349, 91.4%, 1348, 91.4%, 1347, 91.4%, 1346, 91.4%, 1345, 91.4%, 1344, 91.4%, 1343, 91.4%, 1342, 91.4%, 1341, 91.4%, 1340, 91.4%, 1339, 91.4%, 1338, 91.4%, 1337, 91.4%, 1336, 91.4%, 1335, 91.4%, 1334, 91.4%, 1333, 91.4%, 1332, 91.4%, 1331, 91.4%, 1330, 91.4%, 1329, 91.4%, 1328, 91.4%, 1327, 91.4%, 1326, 91.4%, 1325, 91.4%, 1324, 91.4%, 1323, 91.4%, 1322, 91.4%, 1321, 91.4%, 1320, 91.4%, 1319, 91.4%, 1318, 91.4%, 1317, 91.4%, 1316, 91.4%, 1315, 91.4%, 1314, 91.4%, 1313, 91.4%, 1312, 91.4%, 1311, 91.4%, 1310, 91.4%, 1309, 91.4%, 1308, 91.4%, 1307, 91.4%, 1306, 91.4%, 1305, 91.4%, 1304, 91.4%, 1303, 91.4%, 1302, 91.4%, 1301, 91.4%, 1300, 91.4%, 1299, 91.4%, 1298, 91.4%, 1297, 91.4%, 1296, 91.4%, 1295, 91.4%, 1294, 91.4%, 1293, 91.4%, 1292, 91.4%, 1291, 91.4%, 1290, 91.4%, 1289, 91.4%, 1288, 91.4%, 1287, 91.4%, 1286, 91.4%, 1285, 91.4%, 1284, 91.4%, 1283, 91.4%, 1282, 91.4%, 1281, 91.4%, 1280, 91.4%, 1279, 91.4%, 1278, 91.4%, 1277, 91.4%, 1276, 91.4%, 1275, 91.4%, 1274, 91.4%, 1273, 91.4%, 1272, 91.4%, 1271, 91.4%, 1270, 91.4%, 1269, 91.4%, 1268, 91.4%, 1267, 91.4%, 1266, 91.4%, 1265, 91.4%, 1264, 91.4%, 1263, 91.4%, 1262, 91.4%, 1261, 91.4%, 1260, 91.4%, 1259, 91.4%, 1258, 91.4%, 1257, 91.4%, 1256, 91.4%, 1255, 91.4%, 1254, 91.4%, 1253, 91.4%, 1252, 91.4%, 1251, 91.4%, 1250, 91.4%, 1249, 91.4%, 1248, 91.4%, 1247, 91.4%, 1246, 91.4%, 1245, 91.4%, 1244, 91.4%, 1243, 91.4%, 1242, 91.4%, 1241, 91.4%, 1240, 91.4%, 1239, 91.4%, 1238, 91.4%, 1237, 91.4%, 1236, 91.4%, 1235, 91.4%, 1234, 91.4%, 1233, 91.4%, 1232, 91.4%, 1231, 91.4%, 1230, 91.4%, 1229, 91.4%, 1228, 91.4%, 1227, 91.4%, 1226, 91.4%, 1225, 91.4%, 1224, 91.4%, 1223, 91.4%, 1222, 91.4%, 1221, 91.4%, 1220, 91.4%, 1219, 91.4%, 1218, 91.4%, 1217, 91.4%, 1216, 91.4%, 1215, 91.4%, 1214, 91.4%, 1213, 91.4%, 1212, 91.4%, 1211, 91.4%, 1210, 91.4%, 1209, 91.4%, 1208, 91.4%, 1207, 91.4%, 1206, 91.4%, 1205, 91.4%, 1204, 91.4%, 1203, 91.4%, 1202, 91.4%, 1201, 91.4%, 1200, 91.4%, 1199, 91.4%, 1198, 91.4%, 1197, 91.4%, 1196, 91.4%, 1195, 91.4%, 1194, 91.4%, 1193, 91.4%, 1192, 91.4%, 1191, 91.4%, 1190, 91.4%, 1189, 91.4%, 1188, 91.4%, 1187, 91.4%, 1186, 91.4%, 1185, 91.4%, 1184, 91.4%, 1183, 91.4%, 1182, 91.4%, 1181, 91.4%, 1180, 91.4%, 1179, 91.4%, 1178, 91.4%, 1177, 91.4%, 1176, 91.4%, 1175, 91.4%, 1174, 91.4%, 1173, 91.4%, 1172, 91.4%, 1171, 91.4%, 1170, 91.4%, 1169, 91.4%, 1168, 91.4%, 1167, 91.4%, 1166, 91.4%, 1165, 91.4%, 1164, 91.4%, 1163, 91.4%, 1162, 91.4%, 1161, 91.4%, 1160, 91.4%, 1159, 91.4%, 1158, 91.4%, 1157, 91.4%, 1156, 91.4%, 1155, 91.4%, 1154, 91.4%, 1153, 91.4%, 1152, 91.4%, 1151, 91.4%, 1150, 91.4%, 1149, 91.4%, 1148, 91.4%, 1147, 91.4%, 1146, 91.4%, 1145, 91.4%, 1144, 91.4%, 1143, 91.4%, 1142, 91.4%, 1141, 91.4%, 1140, 91.4%, 1139, 91.4%, 1138, 91.4%, 1137, 91.4%, 1136, 91.4%, 1135, 91.4%, 1134, 91.4%, 1133, 91.4%, 1132, 91.4%, 1131, 91.4%, 1130, 91.4%, 1129, 91.4%,

NORTHWESTERN PACIFIC R. R.

Year	Mileage	Oper. Rev.	*Net Def.	Year	Mileage	Oper. Rev.	*Net Def.
1922	500	\$8,008,843	†\$173,854	1925	490	\$7,045,830	\$243,885
1923	497	7,994,091	10,208	1926	483	7,009,347	172,730
1924	488	7,128,195	113,645	1927	†478	6,606,409	791,256

*Before adding sinking fund payments. †Includes 87 miles narrow (3 ft.) gauge. ‡Net Income.

STOCK OUTSTANDING

December 31, 1927

*Common\$35,000,000

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest\$29,769,000

Equipment 126,700

‡Other 2,179,910

*Owned jointly by Atchison, Topeka & Santa Fe Ry. and Southern Pacific Co. In 1928, the Southern Pacific Co. proposed to purchase the half interest held by the Atchison, Topeka & Santa Fe Ry. †Including \$28,884,000 First & Refunding 4½% bonds, all owned by S. P. Co. and A., T. & S. F. Ry. ‡Non-negotiable debt to affiliated companies.

CAPITALIZATION

	Total	Per Mile
Stock	\$35,000,000	\$73,221
Bonds	32,098,710	67,152
Total	67,098,710	140,373

Fixed Charges below include \$185,508 (1926, \$164,677) for Net Equipment Rents, \$38,344 for Miscellaneous Rents and \$38,122 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 478.		
Railway Operating Revenues.....	\$6,606,409	\$13.820
Railway Operating Expenses.....	5,362,096	11,217
Net Revenue from Railway Operations.....	1,244,313	2,603
Other Income (1926, \$55,107).....	93,656	196
Gross Income	1,337,969	2,799
Fixed Charges (including for Taxes, \$488,838)†.....	2,129,225	4,454
*Net Deficit	791,256	1,655

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,197,770).....	\$1,235,798	\$2,585
Maintenance of Equipment (1926, \$987,280).....	999,822	2,092
Traffic Expenses	101,251	212
Transportation Expenses (1926, \$2,654,069).....	2,778,600	5,812
Miscellaneous Operations and General Expenses.....	246,625	516

Operating Ratio 81.2% (1926, 73.3%; 1925, 73.8%; 1924, 72.6%; 1923, 73.9%).

†Taxes 1926, \$490,370; 1925, \$523,077; 1924, \$548,685; 1923, \$560,137.

*This Net Deficit before adding \$14,952 applied to sinking and other reserve funds.

Other Income above includes \$44,373 (1926, \$12,200) from Net Joint Facility Rents, \$21,918 from Lease of Road, \$18,943 from Miscellaneous Rents, and \$7,449 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 72; Pass., 205; Freight, 1,377.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	33.3%	30.9%	30.4%	30.6%	33.8%	29.3%
For Traffic, Transportation and General Expenses	46.6%	41.8%	42.7%	41.1%	39.2%	41.2%
For Fixed Charges.....	31.7%	29.7%	30.3%	29.8%	27.0%	27.4%
For Net Income.....	Deficit	Deficit	Deficit	Deficit	Deficit	2.1%

	1927	1926	1925	1924
Ton miles per mile of road.....	308,242	319,350	306,757	279,203
Passenger miles per mile of road....	254,439	259,727	261,404	273,669
Miles, second and addit'l main track.	18	18	18	17
Miles, yards and sidings.....	138	138	138	138

See Notes, page 568.

TONOPAH & GOLDFIELD R. R.

Year	Mileage	Oper. Rev.	*Net Inc.	Year	Mileage	Oper. Rev.	*Net Inc.
1912-13	110	\$696,398	\$178,147	1922	113	\$420,997	\$59,068
1913-14	110	688,850	109,306	1923	113	412,746	99,007
1914-15	110	682,714	158,307	1924	113	360,218	36,694
1915-16	110	681,781	190,184	1925	113	345,172	21,176
1917	110	625,612	153,029	1926	112	271,787	†12,577
1921	113	371,320	19,837	1927	103	281,956	14,198

*Years to December 31, 1917, after deducting sinking fund payment; at that date no bonds remained outstanding. †Deficit.

STOCK OUTSTANDING

December 31, 1927

Common	\$1,650,000
*Preferred (7%)	500,000

*Non-cumulative. Of this amount all excepting \$6,200 had been acquired to May 1, 1928, at \$50 per share and was held in the treasury of the company.

CAPITALIZATION

	Total	Per Mile
Stock	\$2,150,000	\$20,873

Fixed Charges below include \$4,562 for Net Joint Facility Rents and \$4,519 (1926, \$4,852) Net Rent for Passenger Cars.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 103.		
Railway Operating Revenues	\$281,956	\$2,737
Railway Operating Expenses	240,865	2,338
Net Revenue from Railway Operations.....	41,091	399
Other Income (1926, \$23,577)	18,601	180
Gross Income	59,692	579
Fixed Charges (including for Taxes, \$36,312)†.....	45,494	442
Net Income	14,198	137

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$70,833)	\$63,704	\$618
Maintenance of Equipment (1926, \$46,532)	40,004	388
Traffic Expenses	12,010	116
Transportation Expenses (1926, \$103,904).....	103,236	1,003
Miscellaneous Operations and General Expenses....	21,911	213

Operating Ratio 85.4% (1926, 94.3%; 1925, 84.6%; 1924, 81.5%; 1923, 70.9%).

†Taxes 1926, \$42,720; 1925, \$43,278; 1924, \$44,232; 1923, \$53,141.

Other Income above includes \$2,522 (1926, \$5,256; 1925, \$2,688) from Hire of Freight Cars, Cr. Bal., and \$15,702 (1926, \$17,937) Income from Securities and Accounts.

Equipment Dec. 31: Locos., 10; Pass., 1; Freight, 106.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	34.5%	39.7%	37.3%	36.4%	30.8%	35.2%
For Traffic, Transportation and General Expenses	45.7%	47.0%	42.0%	39.9%	33.8%	37.6%
For Fixed Charges	13.2%	17.5%	14.9%	14.1%	13.5%	13.7%
For Net Income ...	4.6%	Deficit	5.3%	9.6%	21.9%	13.5%

	1927	1926	1925	1924
Ton miles per mile of road.....	23.571	24.221	23.204	42,057
Passenger miles per mile of road....	4.582	4.665	4.796	4,312

See Notes, page 343.

COPPER RANGE R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	133	\$300,275	\$47,481	1924	114	\$333,745	\$44,951
1921	133	1,155,739	155,981	1925	114	942,914	\$2,575
1922	114	1,025,489	74,220	1926	114	905,155	\$6,112
1923	114	905,911	42,422	1927	116	\$25,353	122,951

STOCK OUTSTANDING

December 31, 1927

*Common	\$4,244,300	*First Mortgage (5%).....	\$2,384,800
*Owned by Copper Range Co. *Owned \$574,400 by Copper Range Co.			

BONDS OUTSTANDING

December 31, 1927

CAPITALIZATION

	Total	Per Mile
Stock	\$4,244,300	\$32,738
Bonds	1,384,800	7,111
Total	\$5,629,100	\$41,411

Fixed Charges below include \$24,476 for Bonds and Other Charges

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated 104		
Railway Operating Revenues	\$333,745	\$3,208
Railway Operating Expenses	\$281,654	2,707
Net Revenue from Railway Operations	52,091	501
Other Income (less exp.)	2,852	27
Gross Income	\$54,943	528
Fixed Charges (including for taxes, etc.)	\$32,476	312
Net Income	\$22,467	216

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way and Equipment	\$127,874	\$1,238
Maintenance of Equipment (less exp.)	12,907	124
Traffic Expenses	21,025	202
Transportation Expenses (less exp.)	27,445	264
Miscellaneous Operations and General Expenses	11,811	113

Operating Ratio 85.1% (1924 84.4% 1925 79.5% 1926 77.5% 1927 77.4%.

Taxes 1924 \$42,573; 1925 \$79,092 1926 \$40,022 1927 \$72,241

Other Income above includes Extra Revenue

Equipment Inc. 21: Taxes 21: Fuel 21: Freight 22

APPROPRIATION OF TOTAL INCOME

	1927	1924	1925	1926	1927	1927
For Maintenance Expenses	\$1.47%	\$1.57%	\$1.77%	\$1.87%	\$1.77%	\$1.47%
For Traffic, Transportation and General Expenses	\$2.10%	\$2.70%	\$2.70%	\$2.10%	\$2.10%	\$2.10%
For Fixed Charges	\$2.10%	\$2.10%	\$2.10%	\$2.10%	\$2.10%	\$2.10%
For Net Income	\$4.10%	1.57%	1.67%	4.77%	4.77%	5.77%

See Notes, page 184.

DULUTH, SOUTH SHORE & ATLANTIC RY.

Year	Mileage	Oper. Rev.	Net Def.	Year	Mileage	Oper. Rev.	Net Def.
1916-17	601	\$4,074,693	\$169,476	1924	591	\$5,905,360	\$244,325
1921	592	4,452,424	1,582,853	1925	591	5,808,935	118,712
1922	591	4,495,812	727,210	1926	591	5,281,270	428,290
1923	591	5,861,203	180,496	1927	*588	5,121,693	269,736

*Includes 31 miles branches and 28 miles trackage rights.

*STOCK OUTSTANDING

December 31, 1927

Common	\$12,000,000
Preferred (6%)	10,000,000
Income Bonds (4%)	3,000,000

*Owned \$5,100,000 preferred, \$6,100,000 common stock, and \$3,000,000 income bonds by Canadian Pacific Ry. Preferred stock is non-cumulative. Income bonds matured December 31, 1912, and were not paid. †Canadian Pacific Ry. owns \$15,107,000 4s due 1990. ‡Due Canadian Pacific Ry.

Balance sheet December 31, 1927, showed \$16,288,380 Matured Interest Unpaid (due Canadian Pacific Ry.) and \$11,583,621 deficit to Profit and Loss.

BONDS OUTSTANDING

December 31, 1927

†Fixed Interest	\$20,000,000
Equipment	308,000
‡Other	97,846

CAPITALIZATION

	Total	Per Mile
Stock and Matured Income Bonds	\$25,000,000	\$42,517
Bonds	20,405,846	34,703
Total	45,405,846	77,220

Fixed Charges below include \$52,503 for Net Joint Facility Rents, \$123,354 for Hire of Freight Cars, Dr. Bal., and \$876,383 for Interest on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 588.		
Railway Operating Revenues	\$5,121,693	\$8,710
Railway Operating Expenses	4,061,518	6,907
Net Revenue from Railway Operations	1,060,175	1,808
Other Income (1926, \$120,129)	97,252	165
Gross Income	1,157,427	1,963
Fixed Charges (including for Taxes, \$370,886)†.....	1,427,163	2,427
Net Deficit	269,736	459

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$934,579)	\$886,358	\$1,507
Maintenance of Equipment (1926, \$919,641)	809,775	1,377
Traffic Expenses	92,845	158
†Transportation Expenses (1926, \$2,265,291)	2,086,906	3,549
Miscellaneous Operations and General Expenses.....	185,634	316

Operating Ratio 79.3% (1926, 83.4%; 1925, 79.4%; 1924, 81.1%; 1923, 80.1%).

†Taxes 1926, \$346,103; 1925, \$336,661; 1924, \$367,854; 1923, \$347,636.

‡After deducting \$2,428 Transportation for Investment—Cr.

Other Income above includes \$2,599 Net Rent from Equipment other than Freight Cars, \$14,098 from Miscellaneous Rents, \$14,469 from Miscellaneous Non-operating Physical Property, \$10,962 (1926, \$37,176) Income from Unfunded Securities and Accounts, and \$55,094 (1926, \$54,670; 1925, \$106,670; 1924, \$105,493; 1923, \$47,882) from Dividends.

Equipment Dec. 31: Locos., 75; Pass., 61; Freight, 2,832.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.4%	34.3%	33.2%	32.0%	29.0%	31.2%
For Traffic, Transportation and General Expenses	45.3%	47.3%	44.1%	46.6%	49.7%	56.0%
For Fixed Charges	27.3%	26.3%	24.6%	25.4%	24.1%	28.8%
For Net Income	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

	1927	1926	1925	1924
Ton miles per mile of road.....	473,028	477,178	542,643	540,663
Passenger miles per mile of road....	39,440	44,850	47,964	54,707

See Notes, page 569.

CANADIAN PACIFIC RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1915-16	12,917	\$129,481,886	\$46,937,391	1922	13,093	\$186,675,036	\$34,045,140
1917	12,990	152,889,335	45,061,491	1923	13,123	195,837,090	35,399,409
1918	12,994	157,537,698	32,453,626	1924	13,356	182,502,156	33,128,207
1919	12,994	176,929,060	31,820,868	1925	13,678	183,356,006	37,073,633
1920	12,994	216,641,349	33,344,083	1926	13,863	198,025,592	41,325,039
1921	12,992	193,021,854	33,669,867	1927	*14,074	201,145,751	36,013,264

*At December 31 there were 14,575 miles included in C. P. R. traffic returns, 485 miles of other lines worked, 280 miles under construction, and 5,070 miles (in U. S.) controlled.

STOCK OUTSTANDING

December 31, 1927

*Ordinary	\$294,002,549
Preference (4%)	100,148,588

†BONDS OUTSTANDING

December 31, 1927

Bonds and Sec. Notes ..	\$35,650,000
Consol. Deb. Stk. (4%) ..	264,244,882
Equipment	15,470,000

*Including \$34,002,549 payments on subscription to \$40,000,000 new stock offered in 1927. †Not including \$26,335,079 outstanding 4½ % notes due 1944 on which interest and sinking fund are paid directly from land receipts.

CAPITALIZATION

	Total	Per Mile
Stock	\$394,151,137	\$28,006
Bonds	315,364,882	22,407
Total	709,516,019	50,413

Fixed Charges below include \$2,773,697 Rentals and Interest on Securities including payments on account of leased properties.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 14,074.		
Railway Operating Revenues.....	\$201,145,751	\$14,292
Railway Operating Expenses (incl. Taxes).....	161,630,180	11,484
Net Revenue from Railway Operations.....	39,515,571	2,808
Special Income (1926, \$11,056,271).....	11,876,560	843
Gross Income	51,392,131	3,651
Fixed Charges	15,378,867	1,093
*Net Income	36,013,264	2,558

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$28,322,187).....	\$30,661,299	\$2,179
Maintenance of Equipment (1926, \$36,722,467).....	39,294,461	2,791
Traffic Expenses	9,943,415	707
†Transportation Expenses (incl. for Parlor and Sleeping Cars and Inland Steamers).....	73,088,279	5,193
General Expenses (incl. all Taxes).....	8,642,726	614

Operating Ratio excluding Taxes 77.9% (1926, 74.4%; 1925, 75.8%).

*This Net Income before deducting \$600,000 Contribution to Pension Fund.

†Expenses of Parlor and Sleeping Cars were \$1,888,657 and of Lake and River Steamers \$1,288,464. Total Transportation Expenses including comparable items were \$69,828,753 in 1926, \$67,951,153 in 1925, and \$69,409,831 in 1924.

Other Income above consists of \$2,442,129 (1926, \$2,053,883; 1925, \$2,881,651; 1924, \$3,630,675) Net Earnings from Steamship Lines, \$3,303,329 (1926, \$3,485,492; 1925, \$3,407,472; 1924, \$2,635,314) Net Earnings from Telegraph, Hotels, Rentals, etc., and \$6,131,101 (1926, \$5,516,896; 1925, \$5,068,252; 1924, \$3,705,263) Revenue from Interest, Dividends, etc.

Equipment Dec. 31; Locos., 2,255; Pass., 2,866; Freight, 90,764; Lake and River Steamers, 19; Ocean and Coastal Steamships, 54.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	32.8%	31.1%	30.1%	31.1%	31.3%	30.0%
For Other Exp. and Taxes....	43.1%	42.1%	43.5%	44.4%	45.1%	46.0%
For Fixed Charges.....	7.2%	7.0%	7.4%	7.3%	6.5%	6.8%
For Net Income.....	16.9%	19.8%	19.0%	17.2%	17.1%	17.2%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,031,294	998,520	955,333	930,564
Passenger miles per mile of road.....	90,245	90,488	91,384	91,454

See Notes, page 570.

TORONTO, HAMILTON & BUFFALO RY.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1917	104	\$2,358,023	\$534,539	1924	104	\$2,530,475	\$178,275
1921	104	2,677,984	335,252	1925	104	2,821,733	597,264
1922	104	2,444,381	522,403	1926	104	3,094,432	928,437
1923	104	2,910,527	811,468	1927	*111	3,399,026	1,263,499

*Includes 20 miles branches and 4 miles trackage rights.

STOCK OUTSTANDING

December 31, 1927

*Common\$5,415,000 Mortgage Bonds\$5,280,000
 *Owned 73% by New York Central R.R., Michigan Central R.R., and Canada Southern Ry., and 27% by Canadian Pacific Ry. A stock dividend of 20% was paid in 1925.

BONDS OUTSTANDING

December 31, 1927

CAPITALIZATION

	Total	Per Mile
Stock	\$5,415,000	\$48,784
Bonds	5,280,000	47,567
Total	10,695,000	96,351

Fixed Charges below include \$877 for Interest on Unfunded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 111.		
Railway Operating Revenues	\$3,399,026	\$30,622
Railway Operating Expenses	2,132,480	19,212
Net Revenue from Railway Operations	1,266,546	11,410
Other Income (1926, \$202,187)	355,083	3,199
Gross Income	1,621,629	14,609
Fixed Charges (including for Taxes, \$130,102)†.....	358,130	3,226
*Net Income (per Common Share, \$23.33)	1,263,499	11,383

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$407,227)	\$444,903	\$4,008
Maintenance of Equipment (1926, \$544,554)	598,044	5,388
Traffic Expenses	56,279	507
Transportation Expenses (1926, \$857,725)	901,840	8,125
Miscellaneous Operations and General Expenses.....	131,414	1,184

Operating Ratio 62.7% (1926, 65.1%; 1925, 73.5%; 1924, 89.5%; 1923, 72.1%).

†Taxes 1926, \$119,268; 1925, \$131,651; 1924, \$122,195; 1923, \$90,409.

*This Net Income before deducting \$379,050 (1926, \$324,900) for dividends.

Other Income above includes \$9,830 from Net Joint Facility Rents, \$56,201 (1926, \$92,949; 1925, \$122,629; 1924, \$161,398) from Net Equipment Rents, \$26,621 from Lease of Road, \$18,313 from Miscellaneous Rents, \$17,035 from Miscellaneous Non-operating Physical Property, and \$25,572 Income from Unfunded Securities and Accounts.

Equipment Dec. 31: Locos., 30; Pass., *26½; Freight, 1,368.

*Including 7½ share in 22 cars owned jointly.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924	1923	1922
For Maintenance Expenses....	27.8%	28.9%	33.8%	43.3%	30.4%	30.5%
For Traffic, Transportation and General Expenses	29.0%	32.3%	34.3%	37.1%	34.4%	38.7%
For Fixed Charges	9.5%	10.7%	12.3%	13.3%	10.1%	12.0%
For Net Income	33.7%	28.1%	19.6%	6.3%	25.1%	18.8%

	1927	1926	1925	1924
Ton miles per mile of road.....	1,061,728	1,067,127	959,933	829,397
Passenger miles per mile of road....	169,833	179,644	179,603	189,604
Miles, second and addit'l main track.	16	14	14	14
Miles, yards and sidings	138	122	121	120

See Notes, page 575.

CUBA R. R.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1910-11	602	\$2,994,410	\$797,316	1919-20	647	\$13,549,225	\$2,440,168
1911-12	602	3,726,339	1,059,862	1920-21	651	15,324,857	312,959
1912-13	602	4,478,194	1,414,280	1921-22	651	11,163,191	1,546,444
1913-14	602	4,954,641	1,651,505	1922-23	675	13,442,204	3,129,208
1914-15	602	5,022,793	1,873,684	1923-24	709	13,873,588	3,526,395
1915-16	619	6,611,965	2,545,415	1924-25	757	18,088,440	4,945,520
1916-17	619	6,258,260	793,816	1925-26	757	15,346,137	3,609,157
1917-18	655	11,309,817	2,625,591	1926-27	783	14,331,943	2,144,631
1918-19	647	11,710,798	2,197,320	1927-28	*783	12,985,137	2,500,911

*Not including 9 miles leased to Compania Cubana. Increase 1923-24 over 1921-22 due to construction of Santa Cruz del Sur branch, 38 miles. Increase in 1924-25 due to acquisition of Camaguey & Nuevitas Ry., 48 miles. Increase in 1926-27 due to acquisition of Espirituano Ry., 26 miles.

STOCK OUTSTANDING

June 30, 1928

*Common (no par)....500,000 shares
†Preferred (6%)\$10,000,000

BONDS OUTSTANDING

June 30, 1928

†Mortgage Bonds\$23,794,000
Equipment 340,000
Total Per Mile..... 30,823

*Owned all by Consolidated R. R.s of Cuba, the common stock of which company is owned 98.79% by Cuba Co. †Non-cumulative. ‡Not including \$9,833,000 owned and pledged.

Fixed Charges below include \$66,411 for Amortization of Debt Discount and Expense, and \$269,783 for Net Equipment Rents.

INCOME ACCOUNT YEAR ENDING JUNE 30, 1928

Average miles operated, 783.	Total	Per Mile
Railway Operating Revenues.....	\$12,985,137	\$16,584
Railway Operating Expenses.....	8,630,122	11,022
Net Revenue from Railway Operations.....	4,355,015	5,562
Other Income (1926-27, \$785,946).....	376,308	481
Gross Income	4,731,323	6,043
Fixed Charges (including for Taxes, \$529,914)†.....	2,230,412	2,849
*Net Income	2,500,911	3,194

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926-27, \$3,176,079).....	\$2,771,084	\$3,539
Maintenance of Equipment (1926-27, \$2,693,017).....	2,218,332	2,833
Traffic Expenses	19,637	25
Transportation Expenses (1926-27, \$3,770,059).....	2,711,157	3,463
Miscellaneous Operations and General Expenses.....	909,912	1,162

Operating Ratio 66.5% (1926-27, 77.4%; 1925-26, 69.1%; 1924-25, 64.8%; 1923-24, 64.2%).

†Taxes 1926-27, \$412,018; 1925-26, \$656,930; 1924-25, \$774,927.

*This Net Income before deducting \$600,000 preferred and \$4,800,000 (1926-27, \$2,500,000; 1925-26, \$265,000; 1924-25, \$3,950,000) common dividends.

Other Income above includes \$241,718 (1926-27, \$439,176; 1925-26, \$453,272) Net from Operation of Antilla and Pastelillo Terminals, and \$138,116 from Interest.

Equipment June 30: Locos., 156; Pass., 174; Freight, 4,343; Floating, 10.

APPROPRIATION OF TOTAL INCOME

	1927-28	1926-27	1925-26	1924-25	1923-24	1922-23
For Maintenance Expenses....	37.3%	38.8%	32.7%	33.6%	31.0%	33.9%
For Traffic, Transportation and General Expenses	27.3%	34.6%	32.6%	28.3%	30.4%	29.8%
For Fixed Charges.....	16.7%	12.4%	12.5%	11.9%	14.3%	14.0%
For Net Income.....	18.7%	14.2%	22.2%	26.2%	24.3%	22.3%

	1927-28	1926-27	1925-26	1924-25
Miles, yards and sidings.....	156	153	136	134

See Notes, page 576.

THE EARNING POWER

CUBA NORTHERN RYS.

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1924-25	...	\$4,945,249	\$1,684,870	1926-27	234	\$4,796,380	\$1,168,004
1925-26	234	4,992,749	1,426,413	1927-28	*288	4,342,408	1,042,130

*Including 46 miles of branches and 54 miles additional main line opened during the year.

STOCK OUTSTANDING

June 30, 1928

*Common\$14,000,000

BONDS OUTSTANDING

June 30, 1928

†Mortgage Bonds\$20,000,000
Equipment, etc. 1,581,733

*Owned all by Consolidated R. R.s of Cuba which is controlled by Cuba Co. Loans and Bills Payable, June 30, 1928, \$435,018.

CAPITALIZATION

	Total	Per Mile
Stock	\$14,000,000	\$48,611
Bonds	21,581,000	74,934
Total	35,581,000	123,545

Fixed Charges below include \$122,515 for Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING JUNE 30, 1928

	Total	Per Mile
Average miles operated, 288.		
Railway Operating Revenues.....	\$4,342,408	\$15,078
Railway Operating Expenses.....	2,684,488	9,321
Net Revenue from Railway Operations.....	1,657,920	5,757
Other Income (1926-27, \$701,053).....	890,674	3,092
Gross Income	2,548,594	8,849
Fixed Charges (including for Taxes, \$122,828)†.....	1,506,464	5,231
Net Income (per Common Share, \$7.44).....	1,042,130	3,618

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926-27, \$752,805).....	\$716,349	\$2,487
Maintenance of Equipment (1926-27, \$841,618).....	797,232	2,768
Traffic Expenses	9,534	33
Transportation Expenses (1926-27, \$943,872).....	683,277	2,373
Miscellaneous Operations and General Expenses.....	478,096	1,660

Operating Ratio 61.8% (1926-27, 64.5%; 1925-26, 58.1%; 1924-25, 52.5%; 1923-24, 54.5%).

†Taxes 1926-27, \$131,126; 1925-26, \$127,503; 1924-25, \$107,945; 1923-24, \$75,646.

Other Income above includes \$14,653 from Net Equipment Rents, and \$749,575 (1926-27, \$650,037; 1925-26, \$528,214; 1924-25, \$527,991; 1923-24, \$303,044) Net from Operation of Puerto Tarafa Terminal.

Equipment June 30: Locos., 45; Pass., 36; Freight, 1,532.

APPROPRIATION OF TOTAL INCOME

	1927-28	1926-27	1925-26	1924-25	1923-24
For Maintenance Expenses.....	28.9%	29.0%	30.3%	23.8%	27.4%
For Traffic, Transportation and General Expenses	22.4%	27.2%	21.9%	23.2%	23.6%
For Fixed Charges.....	28.8%	22.5%	22.2%	22.4%	23.8%
For Net Income.....	19.9%	21.3%	25.6%	30.6%	25.2%

See Notes, page 578.

INTERNATIONAL RYS. OF CENTRAL AMERICA

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1922	597	\$3,867,184	\$651,035	1925	597	\$6,097,011	\$1,605,797
1923	597	4,271,923	1,050,979	1926	597	6,826,574	1,958,706
1924	597	5,120,571	1,402,094	1927	*683	7,012,190	1,992,755

*In addition at the end of 1927, 117 miles were under construction and 108 miles of construction were contemplated.

STOCK OUTSTANDING

December 31, 1927

Common	\$30,000,000
*Preferred (5%)	10,000,000

BONDS OUTSTANDING

December 31, 1927

†Mortgage Bonds.....	\$22,016,588
†Collateral Notes (6%)	2,600,000
‡Dividend Notes (6%)	2,446,934

*Cumulative; participates equally in dividends after 5% on common stock in any year. †Not including \$7,375,000 pledged. ‡Due 1941. Not including \$900,000 pledged. §Not including \$659,800 in treasury. Due June 15, 1936. These Notes were issued to discharge preferred dividend accumulations.

Loans and Bills Payable, December 31, 1927, \$786,221.

CAPITALIZATION

	Total	Per Mile
Stock	\$40,000,000	\$58,565
Bonds	27,063,522	39,624
Total	67,063,522	98,189

Fixed Charges below include \$60,164 Interest on Unfunded Debt, and \$35,019 Amortization of Discount on Funded Debt.

INCOME ACCOUNT YEAR ENDING DECEMBER 31, 1927

	Total	Per Mile
Average miles operated, 683.		
Railway Operating Revenues	\$7,012,190	\$10.266
Railway Operating Expenses	4,115,763	6,026
Net Revenue from Railway Operations	2,896,427	4,240
Other Income (1926, \$324,241)	355,363	521
Gross Income	3,251,790	4,761
Fixed Charges (including for Taxes, \$261,081)†.....	1,259,035	1,844
*Net Income (per Common Share, \$4.98)	1,992,755	2,917

OPERATING EXPENSES

	Total	Per Mile
Maintenance of Way (1926, \$1,121,422).....	\$889,470	\$1,308
Maintenance of Equipment (1926, \$753,607)	853,012	1,248
Traffic Expenses	36,511	53
†Transportation Expenses (1926, \$1,637,495)	1,751,909	2,565
Miscellaneous Operations and General Expenses.....	584,861	857

Operating Ratio 58.7% (1926, 60.5%; 1925, 60.3%; 1924, 55.0%; 1923, 56.0%).

†Taxes 1926, \$269,011; 1925, \$242,150; 1924, \$209,672; 1923, \$137,092.

*This Net Income before deducting \$86,558 for sinking fund reserve, and \$500,000 for preferred dividends.

†After deducting \$40,406 Transportation for Investment—Cr.

Other Income above includes \$157,121 (1926, \$181,021; 1925, \$187,696) Net from Miscellaneous Operations, \$6,644 from Hire of Freight Cars, \$14,851 Rent from Locomotives, \$2,258 from Miscellaneous Rents, \$23,886 (1926, \$27,652) Income from Funded Securities and Accounts, and \$141,335 (1926, \$39,082) Income from Funded Securities.

Equipment Dec. 31: Locom., 95; Pass., 191; Freight, 1,881.

APPROPRIATION OF TOTAL INCOME

	1927	1926	1925	1924
For Maintenance Expenses.....	23.6%	26.2%	26.7%	25.4%
For Traffic, Transportation and General Expenses	32.2%	31.6%	30.9%	28.5%
For Fixed Charges	17.1%	14.8%	17.2%	19.3%
For Net Income	27.1%	27.4%	25.2%	26.8%

	1927	1926	1925	1924
Ton miles per mile of road.....	78,653	78,016	62,265	51,110
Passenger miles per mile of road....	100,639	109,212	95,440	84,251
Miles, yards and sidings	71	63	61	61

See Notes, page 579.

NOTES

BANGOR & AROOSTOOK R. R.

See Table, page 70.

Dividends have been paid as follows on the common stock since 1904 (initial dividend paid January, 1904): 1904, 3%; 1905, 3½%; 1906-1912, 4% yearly; 1913, 3%; 1914, 3½%; 1915, 3%; 1916, 3%; 1917, 5%; 1918-1922, 4%; 1923, 4½%; 1924, 5½%. In June, 1923, the rate was increased to 5%, and in July, 1924, to 6%. With the October, 1927, quarterly payment the rate was increased to 7% or \$3.50 per share.

In 1924 the \$100 par common stock was exchanged for \$50 par, two new shares being given for one old. In November, 1924, 72,178 shares of common stock, or over 90%, that had been held by the Aroostook Construction Co., were offered to the public at \$42.50 per share.

As of August 17, 1927, preferred and common stockholders were given the right to subscribe to \$1,468,000 additional common stock to extent of 20% of par value of holdings at a price of 120% of par value of \$60 per share. Proceeds were used for general purposes including the purchase of \$1,121,000 various company bonds at slightly under par.

Following is quoted from the 1927 annual report: "On June 30, 1916, the bonded indebtedness, including equipment trusts, in the hands of the public was \$25,521,000 and is now \$20,266,000, a reduction of \$5,255,000. At the same time our capital stock (all common) was \$3,448,600; it is now (both common and preferred) \$8,808,300, an increase of \$5,349,400, the ratio of outstanding bonds to capital stock being reduced from 7.4 times to 2.3 times."

During 1917 a new issue of \$10,000,000 7% cumulative preferred stock, redeemable at 110, was authorized and \$3,480,000 was sold at par. With the proceeds of this stock and of \$411,400 common stock sold, \$2,000,000 two-year 5% notes, due April 1, 1918, were paid off and \$2,300,000 par of the company's bonds were purchased at a substantial discount. Dividends of 7%, payable semi-annually, have been regularly maintained on the preferred stock. The preferred stock, which had been closely held, was publicly offered by bankers in September, 1922, at \$95 a share.

On June 30, 1905, \$1,050,000 common stock was outstanding (including \$500,000 issued for cash in 1903); since that date new common has been issued as follows, mostly sold at par:

1906, to purchase Fish River R. R. (leased line).....	\$500,000
1908, for additions, equipment, new lines, etc.....	960,000
1910-11, toward construction of extensions.....	688,600
1914-15, for purchase of Van Buren Bridge stock.....	250,000
1917, toward retirement of funded debt.....	411,400
1927, subscribed at 120 or \$60 per share for general purposes	1,468,000
Total	\$4,278,000

In addition to the stock issued to purchase or construct above lines, \$4,743,000 Northern Maine Seaport & Terminal 5% bonds due 1935, \$1,000,000 Medford Extension 5s due 1937, \$1,800,000 St. John River Extension 5s due 1939, and \$1,650,000 Washburn Extension 5s due 1939 were issued. The two latter extensions (60 miles and 55 miles respectively) were completed in 1910.

From 1900-1 to 1909-10, inclusive, the aggregate sum of \$886,821 was appropriated from earnings for additions and betterments

Of the \$8,867,000 Consolidated Refunding Mortgage bonds issued to December 31, 1927, the company held \$2,536,000 unpledged in the treasury.

Products of forests formed 23% (1926, 24%; 1925, 26%; 1924, 33%) of total freight tonnage in 1927; paper, 14% (1926, 14%; 1925, 12%; 1924, 12%); and potatoes 30% (1926, 30%; 1925, 33%; 1924, 25%). In 1927, there were handled 32,242 cars containing 21,542,200 bushels of potatoes, in 1926, 29,727 cars containing 20,261,633 bushels.

Main and second track (290 miles) as of December 31, 1927, contained:

11 miles of 90-pound rail, 118 miles of 85-pound rail, 101 miles of 80-pound rail, 29 miles of 70-pound rail.

Branches (363 miles) contained:

32 miles of 85-pound rail, 45 miles of 80-pound rail and 287 miles of 70-pound rail.

Current Assets, December 31, 1927, were \$2,511,666 (including \$824,583 Material and Supplies) and Current Liabilities were \$853,410. Profit and Loss credit balance was \$3,351,174, and Additions to Property through Surplus \$227,307.

BOSTON & MAINE R. R.

See Table, page 71.

The common stock was listed on the New York Stock Exchange on January 25, 1928.

Dividends have been paid on the preferred and common stocks as follows:

	'00-'07	'08	'09-'10	'11	'12	'13	'14-'19	'20	'21-'27
Preferred %	6	6	6	6	6	‡3	0	**6.67	0
Common %..	7	*6¾	6	†5	4	§1	0	0	0

**Reduced to a 6% rate in October, 1908. †Reduced from a 6% rate to a 4% rate in July, 1911. ‡Passed September, 1913. §Last payment 1% on April 1, 1913. **Last payment 2% on September 1, 1920.*

The preferred stock is limited to 6% non-cumulative dividends. See later paragraphs for first preferred stock issued in 1919 and prior preference stock issued in 1926. These two stocks were placed on a regular dividend basis in 1926. Beginning October 1, 1927, dividends were made quarterly.

FINANCIAL READJUSTMENT IN 1925.

A general readjustment committee was formed early in 1925, representing substantial holdings of Boston & Maine securities, occasioned by maturity of \$4,660,000 bonds in 1925 (\$1,000,000 3½s and \$3,660,000 4s) and by consideration of \$69,014,500 maturities to be met within a five-year period. Four Boston & Maine directors were appointed to confer with the committee.

Under date of September 1, 1925, a plan for financial readjustment was announced and was made operative, with amendments, July 26, 1926. The reorganization was made effective as of September 1, 1927. Assent to reorganization was given for 86.9% of total stock. The principal provisions were as follows:

(1.) \$13,000,000 7% prior preference stock was offered at par to all classes of stockholders, and the sale underwritten, the proceeds to be expended during a three-year period on improvements totaling \$16,000,000 and calculated to return about 17% on the outlay through operating economies. This stock is voting (except in regard to redemption), cumulative, and callable at 110 as a whole beginning 1930. Holders of existing classes of stock were called upon to subscribe or surrender part of holdings as follows:

	Purchase Prior Pfd.	or Surrender of Holdings
Common	\$20 per share	32%
Preferred	15 per share	12
First Pfd. A and E.....	12 per share	12
First Pfd. B and C.....	12 per share	8
First Pfd. D.....	12 per share	6½

Surrendered stock was salable by the readjustment committee, and proceeds payable to underwriters as compensation or for other reorganization expenses. There was surrendered \$260,393.50 par value of stock by stockholders not subscribing to new prior preference stock. The surrendered stock, \$131,200 first preferred, \$6,800 preferred, \$122,000 common, and \$393.50 fractional amounts of all

classes, was sold at the market by the general readjustment committee to the Boston & Maine R. R. All excepting the first preferred stock was later sold in the market by the company.

In September, 1926, \$1,300,224 prior preference stock not subscribed was sold at auction at 102 $\frac{3}{8}$ average price.

In order to preserve its interest, the New Haven subscribed to \$4,531,737 prior preference stock, its full proportion.

(2.) Funded debt, excluding that of leased lines, amounting to \$43,522,000 in hands of the public maturing 1925 to 1932 inclusive was to be extended for fifteen years from the various maturities. During extended periods these bonds bear 5% interest, and beginning 1930, are redeemable at 102, and from 1930 to 1939 inclusive are convertible at holders' option into 7% prior preferred stock at par (subject to limitation that from 1930 to 1933 no more than \$7,500,000 bonds might be converted in any one year unless called for redemption). Of the bonds for which extension was proposed, \$40,490,000 were deposited under the plan. The new bonds issued in exchange were designated Series Q to Z and AA to GG. Funded debt held by the Government amounted to \$48,685,479 bearing 6% interest, and an effort was being made to obtain concessions in respect to this debt; in 1927, \$29,298,500 of this debt was redeemed.

(3.) While preferential dividend rates on first preferred stock issues were left unchanged, the right to dividend accumulations to July 1, 1925, was surrendered by assenting first preferred stock to the committee for possible utilization for commissions, expenses, etc. In return, the first preferred stock is entitled to receive, in proportion to dividend rates on the various classes, one-half of dividends exceeding 6% declared on the common stock in any future year until one-half of surrendered accumulations may be paid in this way.

REFUNDING IN 1927.

In August, 1927, \$30,942,000 First Mortgage Series AC 5% bonds due 1967 were sold at 90 $\frac{1}{4}$ to bankers, refunding \$29,298,500 6% bonds held by the Government due 1929 and \$1,644,000 5% bonds which had been acquired from the public. The First Mortgage is a first lien on the entire system, including interest in leasehold lines, subject to \$1,575,000 prior liens on 119 miles.

OPERATING EFFICIENCY.

A comparison of some of the items in operating performance follows:

	1927	1926	1925	1924
Average net tons per train....	526	544	507	486
Average car speed per day.....	22.7	21.4	21.1	19
Gross tons per train.....	1,331	1,334	1,247	1,185
Gross ton miles per train hour..	14,750	14,159	13,596	12,575
Net ton miles per car day.....	321	311	304	276
Lbs. coal per 1,000 g. t. m.....	127	140	148	153

RECEIVERSHIP 1916-1919.

On August 29, 1916, a receiver was appointed. Notes due September 1, 1916, were outstanding on that date to the amount of \$13,306,060, while subsidiary companies, namely the Vermont Valley R. R., and the Connecticut River R. R., had maturing obligations amounting to \$2,300,000 and \$2,000,000 respectively. The Vermont Valley R. R. notes were endorsed by the Boston & Maine R. R. The September, 1916, coupons on \$10,000,000 4% bonds due 1926, and the October coupons on \$11,700,000 4½% bonds of 1937, were not paid when due. Receiver was discharged December 1, 1919, as of which date reorganization was consummated.

REORGANIZATION.

In September, 1918, the U. S. Railroad Administration submitted a plan for reorganization, principally calling for consolidation of B. & M. with seven leading leased roads. Stockholders of these (in effect) accepted a 20% reduction in rate of dividends until January 1, 1924, and the dividends (which had been guaranteed) were made contingent on earnings but cumulative. Dividends at the reduced rates were paid regularly with aid of government rental and guarantee to and including July 1, 1920; none thereafter until August, 1926, when with a semi-annual payment dividends were resumed.

Chiefly by substitution of preferred for guaranteed stocks, fixed charges were reduced by about \$2,725,800 in this reorganization.

Incident to the reorganization the Director General advanced to the B. & M. \$19,879,060 to pay off \$17,606,060 floating debt and \$2,273,000 in notes and bonds. In return the Director General accepted \$17,606,060 bonds and \$2,273,000 notes, both secured under a new blanket General Mortgage on the entire property of the reorganized company, which equally secures all other outstanding indebtedness and provides for future issues, subject to \$2,838,000 underlying bonds to be refunded at maturities by General Mortgage bonds.

Under the consolidation the B. & M. assumed the outstanding bonds of merged roads as follows:

Fitchburg Railroad	\$24,080,000
Boston & Lowell Railroad	5,494,000
Concord & Montreal Railroad.....	7,223,000
Connecticut River Railroad.....	2,259,000
Manchester & Lawrence Railroad	274,000
Total	<u>\$39,330,000</u>

In connection with advances from the U. S. Railroad Administration the B. & M. provided for sinking fund to which it agreed to pay to January 1, 1924, net income remaining after payment of reduced dividends of various rates on stock exchanged for stock of leased roads and 4% on B. & M. 6% preferred. The fund was

closed out March 1, 1924, a total of \$1,929,000 bonds having been purchased from the Government. The bonds were then cancelled.

In 1922 the Boston & Maine was authorized to take over the Portsmouth Bridge R. R., York Harbor & Beach R. R., Sullivan County R. R., Vermont Valley R. R., Barre & Chelsea R. R., and Montpelier & Wells River R. R. Stock in these companies had been owned in part or in full by the B. & M. for some time. Merger was held in abeyance pending plans for railroad consolidations. In 1925 operations of Sullivan County R. R. and Vermont Valley R. R. were consolidated with those of Boston & Maine R. R. under a modified contract and \$1,354,459 surplus to December 31, 1924 of these companies was credited to Profit and Loss by Boston & Maine R. R. During 1926 the management of Montpelier & Wells River R. R. and Barre & Chelsea R. R., both in Vermont, was turned over to local interests. Combined net income was \$81,723 in 1926 compared with \$26,535 deficit in 1925.

ISSUE OF FIRST PREFERRED STOCK.

During 1919 there were issued 388,179 shares (\$100 par) of first preferred stock to take up a like number of shares of the seven railroads consolidated, as follows:

Class	Dividend Rate		Amount
	To Jan. 1, 1924	After Jan. 1, 1924	
Fitchburg Railroad	A 4%	5%	\$18,860,000
Boston & Lowell R. R.	B 6.4	8	7,117,500
Lowell & Andover R. R.	B 6.4	8	531,300
Concord & Montreal R. R. ...	C 5.6	7	7,917,100
Connecticut River R. R.	D 8	10	3,233,300
Lowell & Andover R. R. ...	D 8	10	93,700
Manchester & Lawrence R. R.	D 8	10	1,000,000
Kennebunk & Kennebunkport R. R.	E 3.6	4.5	65,000

Accumulation of dividends on first preferred stocks to January 1, 1926, amounted to \$12,195,000. Stockholders in the 1925 readjustment plan agreed to surrender right to dividends accumulated to July 1, 1925, in return receiving the right to half of dividends exceeding 6% on the common stock in any future year, payable in proportion to the various first preferred dividend rates, until half of the accumulation surrendered may be repaid. Dividends were resumed on the first preferred stocks with a semi-annual payment in August, 1926. Payment of dividends accumulated in the six months ended December 31, 1925, was made January 1, 1927. Dividends were made quarterly October 1, 1927.

Dividends upon the "old preferred" stock (being the stock issued in 1890 in exchange for the preferred stock of the Eastern Rail-

road) were discontinued after 1913 but a dividend of 6.67% was paid in 1920, covering the period January 1, 1919, to August 31, 1920, at the 4% rate to which the stock was limited up to 1924. Normal rate is 6% but dividends are not cumulative; according to an official statement by the company in 1928 in connection with listing the common stock in New York, it was said, however, that "it is understood that any accumulated surplus, undivided profits, or other income which remains available for the payment of dividends in any year after the payment or setting aside of all accrued and unpaid dividends on the prior preference stock and the first preferred stock shall be available for and applied to the payment of dividends on the preferred stock as aforesaid without reference to whether any dividends are paid in that year upon the common stock."

ACQUISITION OF CONTROL BY THE "NEW HAVEN."

The Boston R. R. Holding Co., a subsidiary of the New Haven, owns \$21,918,900 (book value, \$27,927,452) common, \$654,300 preferred, \$561,877 Series B, C and D first preferred, and \$1,759,215 instalment on \$4,531,737 prior preference stock. The holdings of stock, following the Government's decree that the New Haven must dispose of its holdings in Boston & Maine R. R. stock, were transferred to five trustees, who were to sell the B. & M. stock. The decree, however, was modified by the U. S. District Court June 4, 1923, restoring the stock to the Holding Co. and indirectly to New Haven ownership. The history of the acquisition of control is as follows:

In 1906-7, the New Haven acquired \$10,994,800 (about 38%) of the stock of the Boston & Maine R. R. This stock was exchanged share for share for New Haven stock. It was contemplated to give all the stockholders of the Boston & Maine R. R. the opportunity to dispose of their stock on the same terms, but before the agreement to this end became effective legislation was enacted in Massachusetts prohibiting any further acquisition of stock by the New Haven before July 1, 1908. These holdings acquired by the New Haven were transferred to John L. Billard. In 1909, the Boston R. R. Holding Co. was incorporated to take over the \$10,994,800 stock held by John L. Billard. This company which was formed in the interest of the New Haven in October, 1909, took over the \$10,994,800 Boston & Maine R. R. stock held by John L. Billard at \$140 per share, payable \$125 in the 50-year 4% bonds of the Holding Company, redeemable at 105, and \$15 in its stock. Late in 1909 and early in 1910 the Boston R. R. Holding Co. purchased \$4,362,300 additional common stock at \$154 per share, payable \$125 in 4% bonds and \$29 in stock; also \$654,300 preferred stock at \$162 per share, payable \$125 in 4% bonds and \$37 in stock. This increased the Holding Co.'s Boston & Maine R. R. stock to \$15,357,100 common, of a total of \$28,841,300, and \$654,-

300 preferred of a total of \$3,149,800; in all about 51% of total stock outstanding.

Through issuance of new first preferred stock in 1919 the Holding Co.'s ownership of B. & M. voting stock issues was reduced to 28.3%.

In June, 1910, the Boston R. R. Holding Co. authorized an issue of non-voting preferred stock guaranteed by the New Haven and secured by an equal amount of Boston & Maine R. R. stock, this preferred stock to take the place of bonds previously issued. This stock is subject to call at 110 at any time.

In January, 1911, the Boston R. R. Holding Co. subscribed to \$6,334,500 of \$10,663,700 new Boston & Maine R. R. common stock sold to stockholders at 110 (see a following paragraph). This stock, with a small additional amount acquired, brought the total owned to \$21,918,900 common stock.

At the close of 1927, the Boston R. R. Holding Co. had outstanding \$3,106,500 common stock and \$27,293,900 preferred stock. All of the stock (except \$2,684,200 preferred stock, guaranteed as to 4% dividends and 105 on liquidation) was owned by New Haven, which in 1926 acquired \$115,800 preferred stock at \$80,280 cost.

SALES OF STOCK.

Boston & Maine R. R. during 1906, offered to stockholders in ratio of 20% of holdings \$5,331,900 common stock at \$165 per share, most of the proceeds to be used to purchase freight cars; \$3,633,700 stock was subscribed for.

In January, 1910, \$1,128,300 common stock previously held in treasury was sold for \$1,636,035.

In 1910-11, the company offered to stockholders \$10,633,700 new common stock at \$110 per share to extent of 33⅓% of holdings, the proceeds to be used for new equipment. \$10,436,400 of this stock was subscribed for and the balance, \$227,300, was sold at auction, July, 1911, at \$105.25 per share.

In 1912, \$10,663,700 additional common stock was authorized, to be offered to stockholders at par; in 1919, in connection with reorganization, issue of \$12,000,000 6% first preferred stock was authorized at par. None of this stock was sold.

In 1926 an issue of \$13,000,000 7% prior preference stock was subscribed at par in connection with financial readjustment. See foregoing paragraphs.

Premiums of \$4,218,973 have been realized on capital stock.

BONDS AND NOTES ISSUED.

In 1913, \$17,000,000 4% one-year notes due June, 1914, were issued to refund \$12,000,000 maturing notes. The balance of the proceeds of this note issue, together with the proceeds of an issue of \$10,000,000 one-year 5% notes due February, 1914 (mostly extended to June 2, 1914, at 6¾%) were used to purchase \$10,-

918,500 Maine Central R. R. and \$281,900 Boston & Lowell R. R. stock and for improvements. On June 2, 1914, the holders of the \$27,000,000 notes were given the option of extending for one year at 6% per annum, or of extending 60% on the same terms and 40% in 5-year 5% notes of the Maine Rys. Co. On June 30, 1914, \$24,310,000 of these notes remained outstanding (\$2,690,000 notes were exchanged for Maine Rys. Co. notes). At maturity, March 2, 1915, noteholders were again requested to extend their notes, this time to September 2, 1915, at 6% or else to extend 65% of their notes and receive 35% in Maine Rys. Co. 5% notes. A further extension for six months at 6% was asked prior to September 2, 1915. About 98% of the noteholders agreed either to extend their notes or to extend 80% and receive 20% in Maine Rys. Co. 5% notes. This reduced the notes outstanding to \$13,306,060, due March 2, 1916. These notes were extended at 6% to July 17, 1916, and again to August 31, 1916. Inability to pay the principal of the note issue on the latter date caused the company to consent to a receivership.

The first public financing through sale of bonds since 1914 was effected in November, 1922, \$3,991,000 General Mortgage 6s due 1923 being sold at 87.89% to refund an equal amount of bonds maturing in early 1923.

In November, 1920, \$6,656,479 was loaned by the Government at 6% and in December, 1923, \$7,000,000 additional. Bonds evidencing the latter loan were issued in January, 1924. At the end of 1927 the Government held \$19,386,979 Boston & Maine securities following the redemption of \$29,298,500 during the year. These Government loans are evidenced by General Mortgage bonds, Series H, J, K, and O.

IMPROVEMENTS.

For financial reasons, and since New England soil includes gravel and sand and so furnishes fair natural drainage, the company for many years until 1926 had ballasted little track. As result of worn out ballast the cost of maintenance increased and in 1926 a program was undertaken to reballast all main lines by 1933. During 1926 there were ballasted 49 miles with stone and 13 miles with gravel at \$451,000 total cost. During 1927 there were 76 miles additional ballasted with stone.

Terminal facilities at Boston were owned separately by Boston & Maine R. R., Boston & Lowell R. R., Fitchburg R. R., and Eastern R. R., and upon absorption of the three latter companies the terminals were not unified. These terminals cover 900 acres of land and water with \$29,650,000 valuation on which \$936,000 annual taxes were paid. In 1926 comprehensive changes were planned, and \$5,000,000 initial expenditure authorized, including a new consolidated freight house at East Cambridge for the Southern and Fitchburg divisions to cost \$2,200,000 and to be completed June 1, 1927. It was estimated annual savings would approximate \$500,000 in oper-

ating economies. The razing of the North Station in Boston, used for 34 years, was begun in December, 1927, and Maintenance of Way expense was charged \$715,000 during the year on account of ledger value of the portion of the terminal to be replaced. The new building was completed for occupancy in July, 1928. A coliseum above the station is expected to result in additional passenger traffic.

To eliminate the considerable maintenance of the pile and trestle area in the yard and approaches to the North Station in Boston, the company in 1927 commenced to fill it in, expecting to complete the work within ten years.

Other improvements are proceeding, among them the construction of a modern yard at cost of \$600,000 at White River Junction where traffic is heavier than at any other points on the road except Boston and Mechanicville.

MISCELLANEOUS.

Tentative valuation as of June 30, 1914, placed on the transportation property of the Boston & Maine system plus subsequent additions was over \$255,000,000 after \$45,000,000 deduction for depreciation, it was stated in August, 1927, comparative with \$129,934,579 total funded debt.

Owned main track, 2,657 miles, on December 31, 1927, contained:

530 miles of 100-pound rail,					409 miles of 75-pound rail,						
1	"	"	93-	"	"	90	"	"	72-	"	"
1509	"	"	85-	"	"	5	"	"	70-	"	"
35	"	"	79-79½"	"	"	11	"	"	67-	"	"
67	"	"	76-	"	"	1	"	"	lesser weights.		

On June 1, 1926, 104 miles of line from Wells River to Newport, Vt., and to Sherbrooke, Que., were leased for 30 years to the Canadian Pacific Ry. at 6% on valuation and taxes.

Agreement between Boston & Maine R. R. and the New Haven R. R. was made effective July 1, 1925, for joint use of freight equipment excepting refrigerator cars.

Sales of real estate not needed for railroad purposes amounted to \$2,720,000 in six years 1920-1925, while new land was purchased for \$287,000 in 1925 for terminal improvement. About \$975,000 was to be realized from sale in 1927 of real estate not required by the railroad.

BRANCH LINE OPERATION.

Since 1924 the Boston & Maine R. R. has abandoned about 100 miles of various unprofitable branch lines and has compromised in restricted operations over other branches. In September, 1924, Suncook Valley R. R., effective January 1, 1925, St. Johnsbury & Lake Champlain R. R. and effective January 1, 1926, Montpelier & Wells River R. R. and Barre & Chelsea R. R., were placed in the hands of local management. Directly, or through the Vermont

Valley R. R., practically all of the \$894,800 stock of Montpelier & Wells River R. R. and \$400,000 stock of Barre & Chelsea R. R. is owned by Boston & Maine R. R. These roads operate 43 and 21 miles respectively. Neither has funded debt. Boston & Maine R. R. holds the entire \$211,500 stock of Mount Washington Ry., operating 3.25 miles of line. As a result of abandonment or relinquishing of property, there was debited a total of \$3,988,714 to Profit and Loss account in 1925 and \$2,508,095 in 1926 including \$1,387,995 on account of investment in subsidiaries.

MOTOR BUS OPERATION, ETC.

The Boston & Maine Transportation Co. was organized in November, 1924, as the automotive auxiliary of the railroad, which holds the \$5,000 stock. Early in 1925 29 buses were purchased by the railroad and leased by this company. From May 17 to December 31, 1925, revenues of the company were \$150,503 and net loss after \$61,230 for rental of equipment (there was no specific charge for depreciation) and \$6,113 for taxes was \$5,335. In addition the company inaugurated June 1, 1925, "door-to-door" delivery service between Boston and Lowell and Lawrence through contracts with trucking firms. Gross earnings from buses and trucks were \$861,783 in 1927 (\$410,000 in 1926) and net income was \$13,854 from operations. The railroad had in operation, beginning 1927, 23 (10 purchased for about \$40,000 each in 1926) gasoline rail passenger cars to use for light traffic.

POSITION REGARDING CONSOLIDATIONS.

In the 1928 annual report the Boston & Maine management stated its position in regard to proposed consolidations to be substantially that: (1) the B. & M. prefers to be left alone, but recognizes that full benefits of the Transportation Act may not be realized except through consolidation; (2) logical form of consolidation would be under the so-called Trunk Line Plan (east and west system) rather than the New England Plan; (3) if there is to be a New England System it should include all roads in the territory except possibly Canadian lines in Maine; (4) the unusual New England situation warrants alternative plans with reasonable latitude for negotiation.

BALANCE SHEET.

On December 31, 1928, Current Assets were \$15,673.425 (including \$3,980,000 Materials and Supplies) and Current Liabilities were \$9,235,515 (including \$12,000 funded debt, \$11,125 interest, and \$3,110 dividends, all matured unpaid). Credit balance to Profit and Loss was \$1,111,443 and Accumulated Surplus \$9,601,443 consisting of \$4,811,115 Addition to Property through Income since 1900, \$1,000,000 Addition to Property through Income and Surplus and \$3,790,328 Surplus from Reserves.

CENTRAL VERMONT RY.

See Table, page 72.

The Canadian National Railways (Grand Trunk Railway) own \$2,184,600 of the \$3,000,000 stock, guarantee the \$12,838,300 Refunding Mortgage bonds and have advanced large amounts to Central Vermont Ry. on account of deficits from operation.

Reference to the table of statistics will show that the striking feature of the operating expenses for years has been that Traffic, Transportation and General Expenses have absorbed a very large proportion of the gross income from operation.

A company known as the Central Vermont Transportation Co. was incorporated in 1908 to build and operate a line of steamships between New London, the terminus of the Central Vermont Ry., and New York. All of the \$200,000 stock of this company is owned by the Central Vermont Ry. and is carried at \$117,914 book value. This company paid an initial dividend of \$10,000 (5%) in 1910-11. Dividends of \$20,000 were paid in 1911-12 and in 1912-13. In 1913-14, the dividend amounted to \$150,000, and in 1914-15 to \$22,500. None since. Earnings were \$10,297 in 1927, \$75,603 in 1926, \$69,855 in 1925, \$60,757 in 1924, \$28,586 in 1923, and \$37,445 in 1922. As of December 31, 1927, credit to Profit and Loss was \$36,461.

In 1910 the Southern New England Ry. (Rhode Island) and in 1911 the Southern New England R. R. (Massachusetts) were chartered to build a line of road from Palmer, Mass., on the Central Vermont Ry., to Providence, R. I., where extensive terminals and docks were intended to be constructed. Authorized and outstanding stocks, \$3,000,000 and \$1,856,000 respectively, are owned by Central Vermont Ry. The railroad was intended to be owned and operated by the Grand Trunk Ry. of Canada and upon the completion of this road the Central Vermont Ry. was intended to form part of a through route from Montreal and Canadian points to Providence, R. I. About \$7,500,000 was spent 1912-14, practically completing grading as far as Woonsocket, R. I., but no rails were laid or bridges constructed. The charter of Southern New England R. R. expired June 30, 1926; it had been in receivership since March, 1926.

Approximately 99 miles of railroad in Canada, the Stanstead, Shefford & Chambly Ry. and the Montreal & Province Line Ry., comprising the Fifth District of the Central Vermont Ry., were leased November 1, 1923, to the Canadian National (Grand Trunk) Railway. The arrangement was concluded partly on account of duties, imposed by the Dominion on equipment of American manufacture used on Canadian mileage and partly because costs of operation proved less if handled by the Canadian National.

First and additional main track and branches, owned and leased, 539 miles, contained December 31, 1927: 25 miles of 100-pound rail, 233 miles 90-pound rail, 41 miles 85-pound rail, 180 miles 80-pound

rail, 28 miles 75-pound rail, 14 miles 72-pound rail, and 18 miles 56-pound rail.

In 1920 \$15,000,000 Refunding 5% bonds due 1930 were authorized of which \$12,000,000 were issued to retire a like amount of First Mortgage 4% bonds and \$1,359,000 to the Grand Trunk Ry. to satisfy an equal amount of indebtedness. At December 31, 1927, \$12,838,300 bonds were outstanding; Canadian National Rys. guarantee principal and interest and owned \$4,229,300 of the issue. At December 31, 1927, the debt to the Canadian National Railways was \$20,857,005 on which \$545,459 interest in 1927 was accrued. During 1927, \$1,212,280 was added to net indebtedness.

The development of milk traffic is shown by the following figures :

	Cans of Milk and Cream	Revenue
1926	2,267,498	\$345,122
1924	1,454,408	270,715
1922	1,126,895	201,714
1916	268,997	48,151

Due to serious floods in November, 1927, resulting in large property damage and loss of traffic, application was made by the Canadian National Ry. for appointment of receivers for the Central Vermont Ry. This was allowed, receivership taking place on December 12, 1927. In January, 1928, \$5,000,000 4½% receiver's certificates were issued, due 1930.

Final valuation of \$16,349,616 on total owned and \$22,422,679 on total used property as of June 30, 1917, was found by the Interstate Commerce Commission. The total used valuation includes Bethel Granite Ry., New London R. R. and West River R. R. Final valuation of \$310,000 was also placed on the Central Vermont Transportation Co. as of June 30, 1919.

As of December 31, 1927, the balance sheet showed Current Assets of \$1,612,545 (including \$877,372 Material and Supplies), and Current Liabilities of \$1,420,834. Debit to Profit and Loss was \$6,810,768 and Total Corporate Deficit \$5,384,631. In 1923 the final settlement for the period of federal control was effected, the company funding for seven years indebtedness of \$700,000 to the Government.

MAINE CENTRAL R. R.

See Table, page 73.

Dividends on the common stock were paid as follows: For years prior to 1903-4, 6% per annum; 1903-4 to 1906-7 inclusive, 7%; 1907-8 to 1910-11, 8%. In October, 1911, the rate was reduced to 6% per annum. Dividends of 5% on the cumulative preferred stock and of 6% on the common stock were paid to and including September 1 and October 1, 1920, respectively, payments then being suspended.

The preferred dividend was resumed with a quarterly payment December 1, 1924. From earnings in 1924 and 1925, \$300,000 in each year was reserved for payment of accumulated preferred dividends as the cash position of the company might warrant. During 1925 there was paid 5% on this account leaving 15% unpaid but set aside in a fund as Unmatured Dividends Declared. The 15% dividends were paid in January and March, 1926. In 1924 it had been proposed to liquidate the dividend accumulation with preferred stock, and \$600,000 was authorized, but the plan was abandoned.

A dividend of 1% was paid on the common stock in June and again in December, 1926. With a quarterly payment July 1, 1927, the common stock was placed on a regular 4% basis.

On December 31, 1927, \$2,881,500 of Maine Central R. R. common stock was in the treasury.

On July 1, 1911, \$5,004,300 stock was issued, stockholders subscribed at par for one new share for each share held. The proceeds from this issue of stock were used to retire maturing obligations (see below).

In 1912, \$5,000,000 additional stock was authorized and issued, stockholders subscribing at par on the basis of one share of new stock for each two shares owned. The proceeds were mostly used to reduce the company's indebtedness.

In January, 1913, \$10,000,000 stock was authorized and issued to stockholders at par on the basis of two shares of stock for each three shares held. The proceeds were used to retire floating debt.

A majority (\$15,960,100 April 1, 1914) of the capital stock of this road was for a number of years owned by the Boston & Maine R. R. In order to remove the road from foreign control this stock was purchased in April, 1914, by Maine Rys. The Maine Central R. R. subscribed at par to the entire \$3,000,000 stock of Maine Rys. The latter issued \$12,202,000 5% notes and with the proceeds of these notes and the sale of stock, purchased the \$15,960,100 Maine Central R. R. stock from the Boston & Maine R. R. at \$95.25 per share. This stock was subsequently resold by the Maine Rys. and the securities of the latter retired.

In November, 1915, the Maine Central R. R. sold \$7,000,000 of an authorized issue of \$25,000,000 20-year First and Refunding Mortgage 4½% bonds together with \$3,000,000 5% cumulative preferred stock. The sale of these securities involved the cancellation of \$9,115,000 Maine Rys. notes and likewise the cancellation of \$10,000,000 Maine Central R. R. common stock. The balance of the Maine Rys. notes were assumed by the Maine Central R. R. and were called for payment October 1, 1916. The Maine Rys. Co. was dissolved.

In April, 1916, \$6,000,000 additional First and Refunding Mortgage Series B 4½% bonds were sold and the proceeds used to retire \$6,000,000 notes. In February, 1919, \$3,000,000 First and

Refunding Mortgage 5% bonds were sold to pay for new equipment and meet a note for \$1,000,000. In January, 1926, \$4,000,000 First and Refunding Series D 6% bonds due 1935 were sold at 97½ to bankers and \$101,219 discount charged to Profit and Loss. Proceeds were applied to redemption of \$3,123,000 6% notes held by the Government and \$880,000 other indebtedness.

In 1922, the Interstate Commerce Commission announced a tentative "final value" for total used property of the Maine Central system of \$61,091,384, as of June 30, 1916. Book investment in road and equipment was \$54,983,162 on that date.

A committee of stockholders was appointed in February, 1922, to investigate the company's affairs. Their report, presented at the annual meeting, recommended that leases of some leased lines should be revised, while other leased lines should be merged with the Maine Central through an exchange of stock for that of the lessee company or for a new prior preference stock; and that the \$1,450,000 stock of the Ricker Hotel Co. (acquired during control by the N. Y., N. H. & H. R. R.) should be sold. It was also recommended that some relief be sought from the present state excise tax of 5½% on gross receipts. This state tax in 1927 amounted to \$956,865 as compared with \$487,548 in 1916. Recommendations of the committee were not carried out. A change in the excise tax was to be submitted to voters at the Maine general election in September, 1928. It would afford substantial relief to the company.

Lease of the Hereford Ry. was terminated November 1, 1925, in consideration of agreement by Maine Central R. R. to assume interest on \$800,000 First Mortgage 4% bonds due 1930 (\$100,000 owned by M. C. R. R.) and to purchase stock presented at \$60 per share. In 1926, \$476,520 was debited to Profit and Loss, charging off the stock purchased. In 1926, \$100,000 bonds were purchased at cost of \$93,780, and in 1927, \$238,000 at cost of \$231,311. Operation of the line was discontinued with saving of substantial annual deficit.

Lease of the Belfast & Moosehead Lake R. R. was terminated January 2, 1926, and operation of that line discontinued.

Products of forests formed 25% and potatoes 12% of tonnage in 1927.

The decrease of passenger traffic is indicated by the following comparison:

	Number of Passengers	Passengers One Mile
1919	4,075,777	170,618,097
1920	4,099,701	168,145,696
1926	2,159,247	108,355,815
1927	1,901,201	100,392,333

On December 31, 1927, the company had 1,913 common stockholders (average holdings 63 shares) of whom 1,354 were in Maine, and 578 preferred stockholders.

On December 31, 1927, Current Assets were \$4,414,204 (including \$1,769,130 Material and Supplies) and Current Liabilities were \$1,989,257. Credit balance to Profit and Loss was \$4,252,790 and Appropriated Surplus, \$2,980,801.

Maine Central R. R. owns the entire \$1,450,000 stock of The SamOset Co. (formerly Ricker Hotel Co.) which operates two hotels and also truck and bus services for the railroad. Net income was \$6,171 in 1927, \$33,065 in 1926, \$39,815 in 1925, and \$30,303 in 1924; dividends of \$29,000 were paid each year, 1925 and 1926, but none were paid in 1927.

NEW YORK, NEW HAVEN & HARTFORD R. R.

See Table, page 74.

The stock of this company received dividends from 1873 to 1893 at the rate of 10%; in 1894 9% was paid; from 1895 to March, 1913, inclusive, 8% was paid. In June, 1913, the dividend was reduced to a 6% rate, and in December, 1913, was passed. No dividends were paid from 1914 to 1927 inclusive. Special dividends of 1% each were paid in April and October, 1928. Following the declaration of the first in February, the directors stated that the payment in no way indicated further dividends unless and until the earnings and prospects might warrant a further declaration. It was pointed out that in five years 1919 to 1923 the company, including the Central New England, accumulated a deficit of \$27,224,938, and in four years, 1924 to 1927 earned a net income of \$30,205,850, or only \$2,980,912 more than the loss of the five years previous, and that the very small Profit and Loss margin dictated caution, in accordance with which no definite dividend rate should be declared.

PREFERRED STOCK ISSUE.

In August, 1927, an issue of \$49,036,700 7% cumulative preferred stock was authorized (redeemable at \$115 and convertible par for par into common stock) and offered at par to common stockholders and to holders of the \$39,029,000 convertible 6% debentures of 1948 in ratio of 25% of holdings. At the close of 1927, \$47,411,000 preferred stock had been fully subscribed as of October 1, and \$1,625,700 was being subscribed in instalments running semi-annually to April 1, 1929. Proceeds were used to reduce indebtedness to U. S. Government. As result of the preferred stock issue, financial structure of the road was changed from one-third stock and two-thirds bonds to 43% stock and 57% bonds, and net increase in payments was only \$490,000 per annum. An underwriting commission of 2% was not approved by the Interstate Commerce Commission but an acceptable arrangement was substituted.

PAYMENT OF DEBT TO GOVERNMENT.

Indebtedness to the U. S. Government amounted to \$87,030,000 at December 31, 1926, in the form of 6% notes, due mostly from 1930

to 1935, and secured by pledge of \$43,500,000 First & Refunding Mortgage 6% bonds, and \$7,758,917 bonds and notes and \$74,799,000 stocks of controlled or affiliated companies, including \$40,000,000 stock of Connecticut Co. and \$29,160,000 stock of New York, Ontario & Western Ry. During 1927, a banking group purchased \$17,000,000 New Haven notes due March 1, 1930, from the Director General of Railroads and sold participation certificates to the public. On March 1, 1928 this 6% issue was refunded with a 5% note redeemable March 1, 1929 at par. During 1927, the cash proceeds from sale of preferred stock were used to pay \$47,650,000 of the debt still held by the Government. In December, 1927, \$31,000,000 First & Refunding Mortgage 40-year 4½% bonds were sold at 89¼ to bankers and the proceeds applied to payment of all remaining debt to the Government. By February 7, 1928, all of the collateral securing the debt had been returned to the company except \$20,000,000 First & Refunding bonds pledged for the privately held \$17,000,000 notes due 1930.

CORPORATE DEFICIT ELIMINATED.

Credit balance of \$5,094,971 to Profit and Loss account was shown at the close of 1927 as result of total credits of \$46,063,724 and total debits of \$4,256,070 during the year. The principal credits were \$26,068,786 transferred from Additions to Property through Income and Surplus, \$10,432,661 Net Income (before allowing for preferred dividends and payments under guarantees), \$6,744,850 Premium on Capital stock realized in connection with 3½% convertible debentures, and \$2,807,426 account of merger of Central New England Ry. and Harlem River & Port Chester R. R.

In 1922 "in order that the balance sheet may more nearly indicate the company's investment in such property," \$18,938,000 was added to Road Account, \$14,375,000 to Equipment Account, and \$487,000 to Improvements on Leased Railways Account, or \$33,800,000 in all.

INCREASE IN CAPITAL 1903-15.

From July 1, 1903, to June 30, 1915, (expansion period) the New Haven increased its capitalization in the hands of the public as follows:

	Par Value.
Capital stock	\$87,216,800
Mortgage bonds	54,136,000
Debentures	145,710,900
Short term notes	30,139,000
Total N. Y., N. H. & H. R. R.....	\$317,202,700
New England Navigation Co. notes.....	20,000,000
N. Y., Westchester & Boston Ry. bonds..	19,200,000
N. Y. Connecting R. R. one-half issue bonds.	8,000,000
Grand Total	\$364,402,700
From sale or exchange of above obligations there was secured, including premiums	\$388,049,310

During the period July 1, 1903, to June 30, 1915, there was acquired additional property with book values as follows:

Additions and betterments to the New York, New Haven & Hartford R. R. and leased lines and investment in securities of certain leased and controlled steam railroad lines	\$171,669,059
New York, Westchester & Boston Ry. Co.....	38,850,150
New York Connecting R. R. Co.....	9,450,000
Grand Central Terminal Buildings, New York City....	6,001,794

Total Steam Railroad and Terminal Properties....	\$225,971,003
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Outside Properties:

New York, Ontario and Western Ry. stock.....	\$ 13,108,398
Rutland R. R. securities.....	2,514,977
Gas and water power companies.....	4,151,664
Miscellaneous properties	1,475,673
Boston & Maine and leased line stocks.....	31,079,669
Various steamship lines	14,242,719
Various trolley lines and securities.....	100,527,389

Total Outside Investment.....	\$167,100,489
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Grand Total	\$393,071,492
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GUARANTEES.

Securities of other companies are guaranteed by the New Haven, principal and interest, as follows:

N. Y. Connecting R. R. bonds, due 1953, total issue \$27,333,000—New Haven's share.....	\$13,666,500
N. Y., Westchester & Boston First Mortgage 4½% bonds	19,200,000
Springfield Ry. Cos. preferred stock, 4% dividends and 105 on liquidation	3,046,000
Boston R. R. Holding Co. preferred stock, 4% dividends and par on liquidation, held by public.....	2,679,500
Other	272,600
	<hr/>
	\$38,864,600

The outstanding \$11,927,000 First Mortgage 4% bonds of Central New England Ry., formerly guaranteed, were assumed in 1927 upon merger of the property.

INVESTMENTS.

The New Haven owned December 31, 1927, securities of other companies as follows: (1) Stocks pledged, \$82,611,400 par value,

\$64,977,573 book value; (2) Stocks unpledged, \$54,326,050 par value, \$61,802,475 book value; (3) Bonds pledged and unpledged, \$29,859,338 par value, \$29,421,922 book value; (4) Notes and Advances, \$20,897,097.

In November, 1925, the federal decree of 1914 under which a considerable proportion of these investments had been trusteeed for sale was so finally modified that the last of such investments was restored to the company.

I.

BOSTON & MAINE R. R.

See under Boston & Maine R. R., regarding stock ownership by the Boston R. R. Holding Co. formed in the interest of the New Haven. The latter holds \$3,106,500 common stock and \$24,614,400 of the \$27,293,900 4% preferred stock of Boston R. R. Holding Co., carried unpledged at \$27,250,490 book value.

New Haven in 1927 had the following investment in the Boston & Maine R. R. held through the Boston R. R. Holding Co., representing approximately 29% of the total voting power:

	<i>Total</i>	<i>Controlled by New Haven</i>
Prior Preference Stock (total issuable) ..	\$13,000,000	*\$4,531,737
First Preferred Stock	38,817,900	561,877
Preferred Stock	3,149,800	654,300
Common Stock	39,505,100	21,918,900
Total	\$94,472,800	\$27,666,814

*In carrying out the financial readjustment of Boston & Maine R. R., as modified on September 1, 1925, the New Haven was called upon to subscribe for \$4,531,737 7% prior preference stock in payments over a 30-month period. At December 31, 1927, \$1,759,215 instalment had been paid.

The New Haven at the close of 1927 owned 3,652 shares of leased line companies of the Boston & Maine, carried at a book value of \$517,673.

In answer to the application of the New Haven, the federal court at New York in June, 1923, directed the trustees, appointed in consequence of the 1914 federal decree, holding New Haven's Boston & Maine stock (through the Boston Railroad Holding Co.) and also its shares of Boston & Maine leased lines, to return such holdings to the New Haven and terminate the trust.

II.

NEW ENGLAND STEAMSHIP CO.

This subsidiary operates various steamship lines among which are the "Fall River Line," "Providence Line," "New Bedford Line," "Norwich Line," etc. New Haven owns entire stock, \$3,000,000 pre-

ferred carried at par on the books and \$2,812,400 common carried at \$100,000 book value; also \$4,880,000 bonds carried at par. In 1923 a dividend of \$510,000 was paid. Operating revenues in 1927 were \$6,811,033, net after expenses was \$496,692 and net income \$49,916 (net deficit 1926, \$29,688; net income 1925, \$194,559; 1924, \$23,414; 1923, \$667,906; 1922, \$545,220; 1921, \$83,885). Profit and Loss December 31, 1927, showed a credit balance of \$896,765. Net Current Assets were \$5,157,824.

III.

HARTFORD & NEW YORK TRANSPORTATION CO.

This subsidiary operates the "Hartford Line" and the "Bay State Line" of steamships (New York to Hartford, Conn., and New York to Providence, R. I.). New Haven owns entire \$2,000,000 capital stock carried at book value of \$2,031,133. Operating revenues in 1927 were \$1,057,939 and net deficit \$160,148 (1926, \$144,452; 1925, \$160,347; 1924, \$10,534; net income 1923, \$162,228; 1922, \$60,912). On December 31, 1927, Profit and Loss debit balance was \$148,884 and Net Current Assets \$446,019. Dividends of \$240,000 were paid in 1923 and \$120,000 in 1922 from Profit and Loss. Other dividends were \$90,000 in 1917, \$100,000 in 1916, \$75,000 in 1914-15, \$37,500 in 1913-14 and \$75,000 in 1912-13.

IV.

CONNECTICUT CO.

This company operates the various street railway lines and bus routes in Connecticut controlled by the New Haven. As of December 31, 1927, 508 miles of first track were operated. Among the cities served are New Haven, Hartford, Bridgeport, Waterbury, New Britain, Meriden, Middletown, etc. The \$40,000,000 stock, carried on New Haven's books at par, was held under 1914 dissolution decree by trustees until December, 1925, when it was returned to the New Haven. New Haven also owns \$1,000,000 debentures (all matured, unpaid) and \$4,481,741 notes of this company carried on the books at par. Operating revenues in 1927 were \$14,185,035 and net income \$528,017 (1926, \$535,464; 1925, \$865,474; 1924, \$702,468; 1923, \$1,025,247; 1922, \$1,310,415). No dividend has been paid since 1½% in 1916, 1% in 1914-15, 2¾% in 1913-14 and 3¾% in 1912-13. The credit to Profit and Loss as of December 31, 1927, was \$3,504,976. There was appropriated to Rehabilitation Fund \$4,702,391. Current Assets were \$2,596,296 and Current Liabilities (including \$4,481,741 loans and notes payable) were \$5,195,973.

V.

BERKSHIRE STREET RY.

This company, the entire \$5,398,100 stock of which (carried at a book value of \$6,371,396) and \$3,893,500 debentures and notes

(carried at \$3,893,400) are owned by New Haven, operated December 31, 1927, 88 miles of street railways mostly located in western Massachusetts. The net deficit for 1927, including \$210,725 interest accruing to New Haven, but not included by latter in income, was \$293,436 (1926, \$235,872; 1925, \$207,466; 1924, \$177,835; 1923, \$277,916; 1922, \$148,587). There was a debit balance to Profit and Loss December 31, 1927, of \$7,641,342. Current Assets were \$203,751 and Current Liabilities (including \$3,340,500 notes payable to New Haven and \$2,988,894 matured interest, etc., unpaid) were \$6,411,508.

VI.

CENTRAL NEW ENGLAND RY.

This railway company operated approximately 264 miles of road (Campbell Hall, N. Y., via Poughkeepsie Bridge to Hartford, Conn., etc.) including 142 miles leased or under contract. The New Haven prior to 1927 owned the entire \$3,737,000 preferred and \$4,795,000 common stock, carried on the books at \$1,052,595 and \$869,103 respectively. \$1,505,000 bonds were also owned, carried at \$1,275,258. The New Haven guaranteed principal and interest \$14,512,000 4% bonds (\$25,000,000 authorized) due 1961, of which \$14,014,000 are outstanding including the bonds owned by New Haven.

All of the stock having been acquired, New Haven in 1927 merged the Central New England Ry. and assumed its bonds.

A final valuation as of June 30, 1916, of \$18,812,880 for total owned and \$22,063,019 for total used carrier property was fixed by the Interstate Commerce Commission, comparing with \$26,729,009 book value of road and equipment at that date.

Operating revenues of Central New England Ry. were \$7,942,962 in 1926; net income was \$769,023 (1925, \$236,182; 1924, \$828,239; 1923, \$287,195; 1922, deficit, \$52,513). Dividends of \$160,060 in 1926, \$320,136 in 1925, \$240,117 in 1924, \$320,320 in 1923, and \$320,322 in 1922 were paid out of Profit and Loss. Other payments were \$320,342 in 1919 and in 1918, \$256,398 in 1917, \$470,684 in 1916, \$320,808 in 1914-15, and \$149,888 in 1913-14.

VII.

NEW YORK, ONTARIO & WESTERN RY.

The New Haven owned (pledged for Government loan but returned to treasury of the company in 1928) as of December 31, 1927, \$29,162,200 (50.2%) stock of the New York, Ontario & Western Ry. This stock was acquired at a cost of \$13,108,398. (See that company.)

VIII.

NEW YORK, WESTCHESTER & BOSTON RY.

As of December 31, 1927, the New Haven owned \$4,984,938 stock (99.6%) of this company carried at a book value of \$6,301,952.

The New York, Westchester & Boston Ry. operates 29 miles of road extending from New York to Larchmont Jc. and White Plains. An extension from Larchmont to Mamaroneck was completed and began operation in March, 1926, and further extension to Harrison was opened in 1927. An extension to Rye, 2 miles beyond Harrison, was completed in July, 1928. The entire line is fenced in private right of way and there are no grade crossings. Most of the line was placed in operation in August, 1912.

Of an authorized issue of \$60,000,000 "Westchester" bonds due 1946, \$22,190,000 bearing 4½% interest have been issued largely to the New Haven in exchange for old bonds. The New Haven owns \$2,990,000 bonds, having sold \$19,200,000 which it guarantees principal and interest. The New Haven also owns \$5,301,207 book value notes of the New York, Westchester & Boston Ry. and has made \$14,817,415 advances to the latter. These advances are carried at a book value of \$20,766. The balance sheet of the New York, Westchester & Boston Ry. December 31, 1927, showed \$20,287,390 loans and notes payable and \$11,339,281 matured interest, etc., unpaid.

Income accounts of the New York, Westchester & Boston Ry. are summarized as follows:

	1927	1926	1925	1924
Operating Revenues...	\$2,151,428	\$1,911,705	\$1,648,901	\$1,521,446
Net after Taxes.....	423,306	426,964	372,175	318,233
Other Income	15,187	9,478	6,972	10,628
Income Deductions....	2,303,493	2,194,690	2,051,947	1,963,790
†Deficit	1,865,000	1,758,247	1,672,801	1,634,929

†Includes interest accruing to the New Haven but not included in income by that company (\$1,215,594 in 1927; \$1,157,841 in 1926; \$1,100,008 in 1925; \$1,042,335 in 1924; \$984,583 in 1923).

Balance sheet showed at December 31, 1927, a debit balance to Profit and Loss amounting to \$26,106,509. Current Assets were \$901,492 and Current Liabilities \$32,475,862.

IX.

NEW YORK CONNECTING R. R.

This important line was constructed to connect the New Haven with the Long Island R. R. and the Pennsylvania R. R. The \$3,000,000 stock of New York Connecting R. R. is held one-half by the New Haven and one-half by the Pennsylvania R. R., these companies guaranteeing jointly and severally \$24,000,000 (\$30,000,000 authorized) 4½% bonds, due 1953, sold 1913 to 1916, and \$3,333,000 5% bonds Series B, sold in January, 1926. The line was opened for operation in 1918. Operating expenses, taxes, bond interest, etc., are paid with revenues derived from the joint owners for traffic handled.

X.

RUTLAND R. R.

During 1910-11 the New Haven acquired from the New York Central one-half of its holdings of preferred stock of the Rutland R. R. (\$2,352,050 of \$4,704,100). The Rutland R. R. stock held by the New Haven is carried at a book value of \$2,364,977 (100.51 per share). See that company.

XI.

OTHER INVESTMENTS.

Among other investments of the New Haven and its subsidiaries not hitherto mentioned are the following:

	Par Value	Book Value
*Old Colony R. R. stock.....	\$10,684,900	\$14,262,840
Boston & Providence R. R. stock.....	524,600	1,582,443
Providence & Worcester R. R. stock.....	955,100	2,738,763
N. Y. & Stamford Ry. stock.....	500,000	610,643
N. Y. & Stamford Ry. bonds and notes.....	1,556,589	885,096
Vermont Co. stock.....	650,000	571,164
Vermont Co. bonds and notes.....	872,760	873,260

**\$3,287,000 par value pledged.*

The above companies, except N. Y. & Stamford Ry., and Vermont Co., are leased by the New Haven. In 1927 the New Haven received permission to merge the Harlem River & Port Chester R. R., which extends from New Rochelle junction to Harlem River and includes the New York freight terminals.

Also December 31, 1927, New Haven owned \$12,825,000 5% notes due April 1, 1924, of New England Investment & Security Co. carried at \$12,748,461 book value. Of the stock New Haven owns 60.47% or \$127,900 carried at \$308,089 book value. This company owns 52.55% of the stock of the Worcester Consolidated Street Ry. and \$385,000 of its funded debt and notes and 99.89% of the stock of the Springfield Street Ry. and \$555,000 of its notes. At the close of 1927 the company held \$11,751,920 par value of securities, carried at \$22,831,210 book value, from which \$73,987 income was received during the year. The New Haven directly holds \$762,000 obligations of the Worcester Company and \$526,338 of the Springfield Company. The former in 1927 earned \$1,909 net from \$3,189,042 gross and showed \$441,155 credit to Profit and Loss account. The Springfield Company in 1927 paid \$186,188 dividends from \$191,350 net income. Gross revenues were \$2,891,431. Credit to Profit and Loss was \$302,707. Both properties are being actively rehabilitated and engaging in motor bus service.

In 1926 under legislative enactment New Haven was permitted to take over the securities of the New England Investment & Security Co. Interest in default to the New Haven when securities were taken over was \$4,675,000.

COMPANIES DISPOSED OF.

In 1914 a large proportion of the securities of the Merchants & Miners Transportation Co. was disposed of by the New Haven, and the loss resulting from the sale, \$3,594,500, debited to Profit and Loss.

The New Haven owned as of December 31, 1916, the entire \$49,405,500 stock of the New England Navigation Co. (carried at a book value of \$53,322,899), and \$3,603,651 of that company's notes. The Old Colony R. R. and the Norwich & Worcester R. R. (both leased lines) held as of June 30, 1915, respectively, \$3,600,000 and \$675,000 New England Navigation Co. bonds. In 1917 the New England Navigation Co. was liquidated, the loss to the New Haven as sole stockholder being \$7,438,894 (including Millbrook Co.).

In 1917 New Haven's interest in Housatonic Power Co. was sold, payment being received in Providence Securities Co. debentures (\$2,422,000). In 1920, \$3,141,000 of these debentures then owned by the New Haven of total issue \$19,899,000 were cancelled. New Haven assumed the debentures in 1914. As of December 31, 1926, there were \$3,757,000 outstanding, balance having been exchanged for New Haven 4% debentures of 1957, an issue not secured by the First and Refunding Mortgage.

In 1920 the New Haven's holdings of the entire \$9,685,500 stock of the Rhode Island Co. carried on the books at \$24,352,336 (and \$3,746,037 notes carried at par) were disposed of by the trustees holding the stock under the 1914 dissolution decree. Profit and Loss account was debited \$28,935,656 as loss resulting from sale.

Since 1915 non-carrier real estate has been sold realizing about \$14,000,000.

FINANCES.

Holder of the \$27,582,692 (at parity of exchange) European 4% Loan maturing April 1, 1922, were notified the company was unable to meet the maturity. Government loan of \$2,600,000 enabled plan for payment of 10% par value in cash and extension of the balance three years at 7% interest, plan being declared operative in May, 1922. To refund these bonds at the extended maturity date, April 1, 1925, the New Haven offered at par for public subscription without underwriting, \$23,000,000 15-year 6% bonds, secured by an equal amount of First and Refunding Series F 6s, redeemable at 105, and carrying a cumulative sinking fund of 1% of the principal semi-annually beginning November 1, 1925, which, assuming bonds purchased at par, would retire one-half the issue by maturity. Cooperation on the part of shippers, financial institutions, employees and others resulted in \$31,643,900 subscription and necessitated about 70% allotment. At December 31, 1927, \$1,212,100 of this issue was in sinking fund and \$2,267,800 was owned by the company.

In 1920, a First and Refunding Mortgage was executed, dated December 9, 1920. Principal of bonds to be issued is limited to an amount which, together with all outstanding bonds and notes, shall not exceed twice the amount of outstanding stock plus premiums paid in thereon. As of December 31, 1927, \$125,768,000 bonds were issued, \$75,668,000 6s due 1930, \$15,000,000 6s due 1935, \$8,500,000 6s due 1942, \$3,600,000 4s due 1955, and \$23,000,000 6s due 1940, in Series from A to F. All of these bonds were pledged to secure notes given for Government advances except the \$3,600,000 4s which were owned by Old Colony R. R. and held by New Haven as lessee and the \$23,000,000 6s due 1940 which were pledged for the 6% 15-year sinking fund bonds. Owing to redemption of debt held by the Government all these bonds securing such notes had been returned to the company by February, 1928.

In August, 1927, the Old Colony R. R., leased by New Haven, sold \$891,700 additional of its guaranteed 7% stock at 137½ at auction to repay in part \$1,395,598 indebtedness to New Haven.

MISCELLANEOUS.

In November, 1922, a tentative valuation by the Interstate Commerce Commission of the New Haven and leased lines showed an excess over investment of \$70,000,000. The company filed protest that the valuation is understated by \$100,000,000. Comparison of figures presented by Interstate Commerce Commission with capitalization cannot be made until valuation of owned properties is completed. Preliminary reports on Central New England and Hartford & Connecticut Western, and tentative valuation on Boston & Maine, Rutland, and New York, Ontario & Western showed valuations in excess of values on New Haven's books. The tentative valuations on Central New England Ry. and Hartford & Connecticut Western R. R. became final in 1925.

Effective April 1, 1922, an Interstate Commerce Commission order increased divisions of through rates on all commodities (except on coal, coke, explosives and a few others) approximately 15%. This was estimated to yield to New Haven \$3,500,000 additional per annum on volume of traffic at that time. In 1924 the New England railroads petitioned for a further increase.

In final settlements for federal control and guaranty in 1923 the New Haven received \$5,704,989, the Central New England Ry. \$109,204, and combined steamship companies \$502,717.

Increase of 20% in commutation and trip ticket rates became effective in January and February, 1924, in Massachusetts, Rhode Island and Connecticut. An annual increase of \$950,000 in revenues was estimated. In July, 1925, 20% further increase in interstate commutation rates was authorized. At the same time the New York Public Service Commission granted 40% increase in New York commutation rates. As a result commutation fares in New

York were placed on the same basis as on other parts of the system. Reconsideration of the increases is now pending.

In June, 1925, the New Haven organized the New England Transportation Co. (\$1,500,000 stock and \$377,000 notes owned in 1927) which at the end of 1927 was operating 54 lines and in 1927 carried 4,248,287 passengers (increase 34% over 1926) with 6,692,806 coach miles (increase 24%). Gross revenues were \$2,218,116 (increase \$757,728) and net income after all deductions was \$54,993 (increase \$132,207). This bus service in coordination with rail schedules secured a material betterment of express and semi-express train service attracting travel formerly lost and provided passenger service meeting popular demand with some reduction in costs.

See a previous edition of this book for the report in July, 1923, submitted to Governors of the New England States, recommending a voluntary rehabilitation of the New Haven and Boston & Maine.

RAIL STATEMENT.

Weight of rail in owned main track (including second and additional track) on December 31, 1927, was as follows:

1,166 miles of 107-pound rail,	8 miles of 75-pound rail,
537 " " 100- " "	127 " " 74- " "
132 " " 90- " "	17 " " 72- " "
527 " " 80- " "	130 " " 70- " "
107 " " 79- " "	78 " " 60-68- " "
359 " " 78- " "	6 " " 56- " "

CURRENT ASSETS AND LIABILITIES.

(NEW HAVEN PROPER.)

As of December 31, 1927, Current Assets (including \$14,074,291 Material and Supplies) were \$32,651,852 and Current Liabilities \$14,459,119. Profit and Loss account showed a credit of \$5,094,971 and Total Corporate Surplus was \$6,560,346. (See above for changes in 1927.)

CLASSIFICATION OF CAPITAL STOCK.

As of December 31, 1927, the common stock of the New Haven was held as follows:

	Total Stockholders	Total Shares
Massachusetts	7,260	482,114
Connecticut	3,272	118,942
New York	2,959	681,625
Rhode Island	557	23,016
Miscellaneous	3,750	265,482
	<u>17,798</u>	<u>1,571,179</u>

Number of holders of the 471,739 shares of preferred stock was 8,161, and 308,820 shares were held in New York, 74,689 in Massachusetts and 28,728 in Connecticut.

RUTLAND R. R.

See Table, page 75.

The preferred stock is entitled to 7% cumulative dividends. In July, 1903, dividends were suspended that all surplus earnings might be applied to improvements. Dividends were resumed in 1906 by the payment of 1½%. A similar dividend was paid in 1907 and 1908. In 1916, 1917, and 1918, 2% was paid. In January, 1927, a dividend of 1% was paid, none since. Dividend accumulation aggregated about 316% from July 1, 1868, to January 1, 1928.

In 1905 the New York Central & Hudson River R. R. acquired a majority (\$4,704,100) of the preferred stock. In 1911, one-half of this stock was sold to the New York, New Haven & Hartford R. R., which company received permission of the New York Public Service Commission to purchase the balance of the holdings of the N.Y.C. & H.R.R.R., and additional shares. Minority stockholders opposed this transfer and brought suit. While suit was dismissed by the court in 1915, the offer was withdrawn by the New Haven.

Practically all of the common stock has been exchanged for preferred on the basis of ten shares of common for one share of preferred. In 1926, 18 shares were so issued in exchange and in 1927, 10 shares.

The company held in the treasury, December 31, 1927, \$95,300 preferred stock, \$500 common stock and \$533,000 bonds. Formerly (in 1919) \$1,000,000 stock of Rutland Transit Co. was owned. This company until 1915 operated a line of six steamships on the St. Lawrence River and the Great Lakes. These steamers were sold by order of the Government in 1915 and \$800,000 of the Transit Co. stock was subsequently cancelled. Rutland R. R. now owns the \$200,000 stock of the Transit Co., valued at par. In 1925 the Rutland Transportation Corp. with \$30,000 stock, all owned by Rutland R. R., was organized to operate buses in substitution for a part of rail service on the Chatham Division. Operation of bus service was begun in September, 1926, between Bennington and Chatham, and local railroad freight service was put on an alternate day basis, with a net saving. During 1927, due to substitution of bus service and discontinuance of mixed train service on the Bennington-Chatham route, the net saving was \$16,411.

In 1901 the shareholders subscribed at 90 for \$3,578,400 preferred stock. From the surplus of 1903-4, \$103,043 was appropriated to meet the cost of improvement work. In 1905, there was expended for improvements and charged to expenses, the sum of \$77,717. Included in operating expenses during 1907 were \$125,666 extraordinary expenditures, in 1908, \$55,605, and in 1909, \$114,057.

The \$500,000 First Mortgage 4½% bonds of the Bennington & Rutland R. R. were paid off at maturity November, 1927, from funds in the treasury without refunding.

A supplemental tentative valuation has been placed upon transportation properties of the company, including Addison R. R. (14 miles, leased) but excluding Rutland & Noyan Ry. (3 miles in Canada, leased), of \$21,221,980 (total used property) as of June 30, 1917. From that date to December 31, 1927, net addition to property account was over \$3,300,000.

In November, 1927, due to the worst flood in the history of Vermont, the company sustained large losses. The 1927 annual report, quoted in part, stated: "Out of 413 miles operated 263 miles were affected, all territory south of South Hero, Vermont, to White Creek, Chatham and Bellows Falls being put out of use. There were 356 separate washouts and 40 slides aggregating a total of 18 miles of track. The three-span, 450-foot Winooski River bridge near Burlington, Vermont, was washed out. Total cost of restoring the physical property is estimated at \$750,000 and the loss of revenue during period of suspension (17 days) of traffic at \$285,000."

Revenues from milk traffic were \$292,177 in 1917, \$551,286 in 1920, \$796,512 in 1923, \$1,000,139 in 1926 and \$913,823 in 1927.

On December 31, 1927, Current Assets were \$2,366,611, including \$942,575 Material and Supplies, and Current Liabilities were \$763,485. Profit and Loss credit balance was \$5,355,749 and Additions to Property through Income and Surplus, \$2,043,986.

BALTIMORE & OHIO R. R.

See Table, page 76.

The preferred stock is limited to 4% non-cumulative dividends. In September, 1923, the basis was changed from semi-annual to quarterly, with result that dividend payments totalled 5% in the calendar year 1923.

From September, 1906, to March, 1914, inclusive, the dividend rate on the common stock was 6% per annum. Prior to September, 1906, the rate was 5%, and prior to September, 1905, the rate was 4%. In September, 1914, the rate was reduced to 5%, which rate was paid through March, 1918. The September, 1918, dividend was deferred until February 1, 1919, on which date 2% was paid; none thereafter until December 1, 1923, when quarterly dividends at the rate of 5% were resumed. With the December 1, 1926, dividend, the rate was increased to 6%. On March 1, 1927, an extra $\frac{1}{2}\%$ dividend was paid to make total payments 6% from 1926 earnings.

On December 31, 1927, there were 35,770 stockholders with average holdings 77 shares.

The company on February 28, 1927, celebrated the hundredth anniversary of the granting of a charter by the State of Maryland, being the oldest railroad in the United States operating under its original grant.

COMMON STOCK SOLD.

As of July 21, 1927, preferred and common stockholders were given the right to subscribe at the rate of 30% of holdings at 107½ to \$63,242,500 additional common stock participating in dividends after December 1, 1927. An underwriting commission of 2.25 points or \$1,422,956 was paid by the company. Payment was optional in full or in two installments, July and December. Proceeds were applied to the redemption at 102½ of \$35,000,000 6% bonds, due 1929, on or before January 1, 1928, and to general corporate purposes, presumably including reimbursement for the cost of about \$30,000,000 of stocks of Western Maryland Ry. and Wheeling & Lake Erie Ry. purchased (see below).

In 1901, \$15,000,000 convertible 4% debentures were issued. All have been converted into common stock. In addition to the common stock issued in exchange for these debentures, the following amounts of common stock have been sold at par to stockholders: 1901, \$22,537,200; 1902, \$42,316,860; 1906, \$27,750,000; 1927, \$63,242,500; thus a total of over \$170,000,000 common stock has been issued for an equivalent amount in cash. The proceeds were used for the most part for improvements and the purchase of equipment.

READING CO. STOCK OWNED.

On December 31, 1927, the Baltimore & Ohio R. R. owned \$6,840,000 first preferred, \$15,015,000 second preferred, and \$13,145,000 common stock of the Reading Co. A part of these stocks is pledged behind \$35,000,000 6% bonds due 1929. Of the Reading holdings, \$775,000 first preferred, \$750,000 second preferred, and \$3,142,500 common stock was purchased in 1926, and the balance of the stock was acquired in 1901, in which year the market price of Reading Co. common stock ranged from \$12.25 to \$29 a share. The cost of purchase in 1926 was \$39.61 for first preferred, \$40.45 for second preferred, and \$81.35 for common stock, per share. These three classes of stock were carried on the books of the Baltimore & Ohio R. R., December 31, 1927, at book values of \$43.93, \$38.53, and \$40.66 per \$50 share respectively. In 1927 the New York Central R. R. held like amounts of Reading Co. stocks. The New York Central R. R. in 1924 sold to stockholders its "Reading rights" (for new Coal Co. stock); the Baltimore & Ohio in December, 1926, exercised its rights to subscribe at \$4 to 303,325 certificates of interest in Philadelphia & Reading Coal & Iron Co. stock. Prior to 1928 these or Reading Co. stock had to be disposed of. Therefore in January, 1928, these certificates, together with holdings of the Widener estate, were trusted with the National City Bank of New York for three years under agreement for sale at a price satisfactory to the company.

INTEREST IN W. M. RY. AND W. & L. E. RY.

Early in 1927 the Baltimore & Ohio R. R. acquired the following stocks: of Western Maryland Ry., \$14,478,900 first preferred, \$800,000 second preferred, and \$15,905,000 common; of Wheeling & Lake Erie Ry., \$3,839,700 prior lien preferred, \$493,400 preferred, and \$5,600,000 common. In February, 1927, the purchase of about 144,000 shares of first preferred stock of Western Maryland from the Rockefeller interests was announced which with common bought some time later in the open market gave over 35% ownership. Sale by the Alien Property Custodian of 19,070 first preferred and 55,000 common shares for \$4,010,000 was reported but B. & O. was not named as buyer. Total holdings as above gave B. & O. 40.41% interest in Western Maryland Ry. While no closer relation was contemplated it was pointed out that 40% of Western Maryland traffic was interchanged with B. & O. R. R. At the same time the purchase of Wheeling & Lake Erie R. R. stock was announced jointly by B. & O., New York Central, and Nickel Plate, each of which had acquired about one-sixth of total stock. The Rockefeller holdings were said to have been 113,961 shares of prior lien preferred stock. In June, 1927, the holdings of the three roads in Wheeling & Lake Erie Ry. were reported to be 96.9% of prior lien (voting) stock and 53.3% of total. The roads involved in the Wheeling & Lake Erie Ry. purchase were served with orders in May, 1928, by the Interstate Commerce Commission to show cause why an order should not be entered requiring them to divest themselves of all stock of this railroad. The complaint charged that this acquisition constituted violation of the Clayton Anti-Trust Act. This action follows the Commission's decision denying the application of the officers and directors of the three trunk line roads to serve as directors of the Wheeling & Lake Erie Ry. Also in May and based on the same complaint the Commission made charges against the Baltimore & Ohio R. R. regarding purchase of the Western Maryland Ry. stock. At the time Pittsburgh & West Virginia Ry. was reported to own 11.7% of the stock including no prior lien preferred.

At the close of 1927, Baltimore & Ohio R. R. owned \$15,905,000 common, \$14,478,900 first, and \$800,000 second preferred stock of Western Maryland Ry., carried at book values of \$3,625,417, \$12,700,000, and \$211,793, respectively, and \$5,600,000 common, \$3,839,700 prior lien, and \$493,400 preferred stock of Wheeling & Lake Erie Ry., carried at book values of \$2,333,114, \$7,099,957, and \$315,940, respectively.

VALUATION.

A calculation of the value of the property as of December 31, 1926, based on valuations for system physical property as of June 30, 1918, follows:

System valuation as of June 30, 1918, including Chicago Terminal and Coal & Coke R. R's.....	\$622,040,1
Additions, less depreciation, approximate to December 31, 1926	132,000,1
Non-carrier lands as valued by I. C. C.....	17,920,1
Excess actual over allowed working capital.....	13,939,1
Outside investments, except Chicago Terminal, at book value	45,131,1
Total	\$831,030,1
Funded debt	581,900,1
Preferred stock	58,863,1
Balance	\$190,267,1
Equal to 125 for common stock of.....	\$151,943,1

The valuations found by the Interstate Commerce Commission were based on inventories taken at 1914 unit prices and an allowance of \$122,584,000 made for depreciation. About \$33,000,000 depreciation was accrued on property added since valuation date.

FORMER OWNERSHIP OF B. & O. STOCK.

On June 30, 1913, the Union Pacific R. R. owned \$7,206,400 preferred stock and \$32,334,200 common stock of the Baltimore & Ohio R. R., this stock having been purchased from the Pennsylvania R. R. in September, 1906, at 92½ for the preferred and 120 for common. The Pennsylvania R. R. retained a large stock interest in the Baltimore & Ohio R. R. On December 31, 1912, the Pennsylvania Lines owned \$21,273,600 preferred and \$21,273,600 common stock of the Baltimore & Ohio R. R., which stock in July, 1913, was acquired by the Union Pacific R. R. in exchange for South Pacific Co. stock. The Union Pacific R. R. (see that company) on July 12, 1914, distributed among its stockholders as a special dividend the Baltimore & Ohio R. R. stock, consisting of \$50,013,000 common and \$26,674,008 preferred.

CONVERTIBLE BOND ISSUE.

The Baltimore & Ohio R. R. issued in March, 1913, \$63,250,000 4½% twenty-year bonds, due March 1, 1933, and convertible into common stock to March 1, 1923, at \$110 a share. Holders of preferred and common stock subscribed for these bonds at 90 and interest to the extent of 30% of holdings. A large portion of the proceeds was used to retire \$60,000,000 short term notes. None of these bonds was converted.

OTHER BONDS SOLD.

Under date of July 1, 1913, \$20,000,000 5% one-year notes were sold to retire \$11,557,000 Cincinnati, Hamilton & Dayton Ry.

notes and for other purposes. At maturity these (B. & O.) notes were retired with part of the proceeds of \$35,000,000 one-year 4½% notes. The latter issue of notes matured June 1, 1915, under which date \$20,000,000 4½% notes, due June 1, 1917, and \$20,000,000 4¼% secured notes, due June 1, 1918, were issued.

Stockholders on November 16, 1914, authorized a Refunding and General Mortgage, covering the entire system and subsidiary lines to secure not exceeding \$600,000,000 bonds (unless stockholders should later consent to a larger issue). In December, 1915, \$60,000,000 5% bonds, due 1995, were sold and \$40,000,000 of the proceeds used to retire the notes due 1917 and 1918.

In 1919, \$5,000,000 First Mortgage bonds of the Coal & Coke Ry. matured, funds for payment being provided \$2,000,000 by the B. & O. from current resources and \$3,000,000 from sale of B. & O. R. R. collateral trust 6% bonds, due 1924. These bonds were secured by \$5,000,000 First Mortgage bonds of the Coal & Coke Ry.

For refunding and other corporate purposes, \$35,000,000 6% bonds due 1929 were sold in 1919, redeemable at 102½. These bonds were secured by most of the Reading stock held by B. & O., viz., \$6,000,000 first preferred, \$14,000,000 second preferred, and \$9,200,000 common stock, also by \$15,000,000 Refunding and General Mortgage bonds. In connection with this issue the Baltimore & Ohio R. R. covenanted beginning July 1, 1919, to set aside in a special fund out of net income \$1,750,000 semi-annually to June 30, 1924, making a total of \$17,500,000. Payment of the final semi-annual instalment was anticipated in the first six months of 1923. This money was to be applied solely for capital expenditures, to repay loans obtained for same, or to pay maturing funded debt. While any of the bonds are outstanding no dividends may be declared or paid on either common or preferred stock unless net income is in excess of dividends paid for years ending June 30.

A part of the proceeds of new common stock was applied to redemption of the \$35,000,000 bonds January 1, 1928.

In February, 1926, \$30,000,000 Refunding and General 5% bonds, Series D, due 2000, were sold at 92½ to bankers and \$2,250,000 discount was debited to Profit and Loss. Of the proceeds \$11,900,000 was used to pay 6% notes held by the Government and the balance for general purposes.

MATURITIES IN 1925.

Bond issues aggregating \$131,025,315 were due in 1925, comprising on July 1, \$74,909,725 Prior Lien 3½% and \$44,991,090 Southwestern Division 3½% bonds, on June 1, \$5,000,000 Schuylkill River East Side First Mortgage 4% bonds, and on November 1, \$6,124,500 Pittsburgh Junction & Middle Division 3½% bonds. In addition, \$3,000,000 collateral trust 4% bonds matured April 1, 1924, about \$5,160,000 equipment obligations during 1924, and \$1,000,000 purchase money 4% notes February 17, 1925.

To provide part of funds necessary to meet maturities and to reimburse the treasury for additions and betterments, \$35,000,000 Refunding and General Mortgage 6% bonds, Series C, redeemable at 107½ beginning June 1, 1934, were sold (publicly offered at 100) in May, 1924. About \$20,000,000 of the proceeds was available for refunding purposes, the \$15,124,500 of smaller issues being retired, or funds deposited for their retirement at maturity, also equipment obligations being paid.

Entirely for the purpose of refunding the Prior Lien 3½% bonds, \$75,000,000 First Mortgage 5% bonds due 1948, were sold in August, 1924, to bankers at 95½ and publicly offered at 98½. As the interest rate was limited to 4% by the indenture, the additional 1% was secured by a supplemental indenture providing that in event any new mortgage be placed on the property securing the bonds (on which the Refunding and General Mortgage is also a lien), the 1% interest is to be secured by a lien prior to any bonds issued under such mortgage. Prior Lien bonds to the amount of \$51,400,500 were accepted at 100 in payment for First Mortgage bonds. The First Mortgage is now closed with \$157,000,000 bonds outstanding.

To refund the Southwestern Division 3½% bonds, this mortgage was extended to 1950 and in April, 1925, \$45,000,000 bonds offered bearing interest at 5% of which 1½% is secured by supplemental indenture. The 3½% bonds were accepted at 100 and interest in payment for the new issue.

Summarizing the refunding operation, a total of \$135,025,315 bonds and notes actually outstanding, requiring \$4,770,886 annual interest, were replaced with \$135,124,500 bonds requiring \$6,907,470 annual interest, resulting in a net increase of \$2,136,584 in annual interest requirements. Entire discount and expense incident to the operation has been charged to Profit and Loss.

Average interest rate on \$546,693,223 funded debt outstanding December 31, 1927, was 5.11 per cent.

CINCINNATI, HAMILTON & DAYTON RY.

Negotiations were completed in 1909, whereby the Baltimore & Ohio R. R. would acquire on July 1, 1916, at a price then to be agreed upon or determined by arbitration, the controlling stock of the Cincinnati, Hamilton & Dayton Ry. In this connection a plan was effected for adjustment of future interest charges and the payment or adjustment of the floating debt of the Cincinnati, Hamilton & Dayton Ry., and provision of approximately \$7,000,000 for improvements and working capital. Under this plan the B. & O. R. R. guaranteed \$12,500,000 of the Cincinnati, Hamilton & Dayton Ry.'s First and Refunding Mortgage 4% 50-year bonds, dated July 1, 1909 (\$9,177,000 in hands of the public) and \$11,557,000 4% notes, due July 1, 1913 (taken up at maturity by the Baltimore & Ohio R. R.), secured by a deposit of \$13,000,000 of the First and

Refunding bonds. On July 2, 1914, receivers were appointed for the Cincinnati, Hamilton & Dayton Ry.

In reorganization, dated February 15, 1916, Baltimore & Ohio R. R. acquired all the securities issued by the new Railroad Company which acquired the Cincinnati, Hamilton & Dayton Ry. main line between Cincinnati and Toledo, certain main line branches and the line from Dayton to Wellston, comprising 400 miles of road. This mileage was the more important part of the original C., H. & D. Ry. and the portion which could be operated to best advantage as part of the Baltimore & Ohio System.

In exchange for the securities under the plan, the Baltimore & Ohio R. R. issued its own direct obligations, \$11,250,000 Toledo-Cincinnati Division 4% bonds, due 1959, secured by pledge of all the Refunding Mortgage bonds of the new company. The properties were acquired subject to guaranteed stocks, bonds, and equipment obligations which remained undisturbed, aggregating \$12,026,200.

The plan provided for the surrender by the Baltimore & Ohio R. R. of \$22,695,143 old company obligations, together with the collateral, excepting certain collateral of the estimated value of \$3,368,000, for the payment by the Baltimore & Ohio R. R. of \$700.86 for each of the \$17,529,000 C., H. & D. General Mortgage bonds due 1939, and for the delivery to the Baltimore & Ohio R. R. (1) of the entire capital stock of the new company, and (2) of the Adjustment Mortgage bonds of the new company to the amount of \$20,000,000.

The net investment of the Baltimore & Ohio R. R. in the C., H. & D. Ry. amounted to \$28,588,575, subject to \$23,250,200 outstanding obligations, it was stated in the 1917 annual report.

SEPARATELY OPERATED PROPERTIES.

The entire capital stocks of Baltimore & Ohio Chicago Terminal R. R. and Staten Island Rapid Transit Ry. are owned by B. & O. These properties are separately operated, but the net income or deficit is included in B. & O. income account. The Staten Island Rapid Transit Ry. (24 miles) in 1927 reported gross revenues \$3,277,823, net income (after \$321,950 interest on funded debt owned by B. & O.) \$114,879 (1926, deficit, \$190,670). In 1925 the electrification of 21.6 miles of Staten Island Ry. was completed. For B. & O. Chicago Terminal R. R. see below.

Since 1922 the Morgantown & Kingwood R. R. (34 miles, 1921 gross \$455,480, net deficit \$135,347) has been operated as an integral part of the B. & O. In 1922, \$5,618,070, representing investment in the M. & K. and outstanding obligations thereof was added to property account. Control of the Morgantown & Kingwood R. R. was acquired in 1920 for \$1,500,000, subject to a then outstanding issue of \$1,500,000 First Mortgage 5% bonds.

In 1923, the B. & O. sold for \$6,000,000 to the Consolidation Coal Co. the Sandy Valley & Elkhorn Ry. (32 miles), and Millers

Creek R. R. (14 miles) and to the Chesapeake & Ohio Ry. for \$2,000,000 the Long Fork Ry. These were coal feeders isolated from the main line and it was stated would be developed by the purchasers without materially affecting the routing of coal tonnage.

Most of the minority stock of the Dayton & Union R. R. (majority owned since 1917) was acquired in 1926. This road operates 47 miles of line. Likewise all the remaining stock of Indian Creek Valley Ry., 27 miles, and Hamilton Belt Ry., 3 miles, were acquired. These lines are now operated as an integral part of the system.

A third interest in the Monongahela Ry., operating 170 miles of line, was purchased in 1926 from New York Central and Pennsylvania by the Baltimore & Ohio R. R., which as a condition conveyed to the Monongahela its direct interest in Chartiers Southern Ry. and Indian Creek & Northern Ry.

Operating results of the Cincinnati, Indianapolis & Western R. R., the Indian Creek Valley Ry. and the Hamilton Belt Ry., beginning 1927 were merged with those of Baltimore & Ohio R. R.

B. & O. CHICAGO TERMINAL R. R.

The Baltimore & Ohio R. R., in January, 1909, purchased a large block of preferred stock of the Chicago Terminal Transfer R. R. at \$20 per share. In October, 1909, full stock control was acquired by purchase of additional preferred and common stock from the Chicago, Burlington & Quincy R. R. On January 6, 1910, the Baltimore & Ohio R. R. purchased at foreclosure sale all of the property and franchises formerly owned by the Chicago Terminal Transfer R. R.

As successor to this company, the Baltimore & Ohio Chicago Terminal R. R. issued \$8,000,000 stock, all of which is owned by the Baltimore & Ohio R. R., and authorized an issue of \$50,000,000 First Mortgage 4% bonds, due April 1, 1960, guaranteed by the B. & O. R. R. Of \$35,000,000 bonds immediately issuable, Baltimore & Ohio R. R. has acquired \$32,000,000, the remainder being held in the treasury of the Terminal Co. Gross revenue in 1927 was \$3,975,101 and net income after \$1,280,000 interest on bonds owned by B. & O. R. R. was \$439,247 (1926, \$515,216; 1925, \$411,791). Mileage operated, 76.

The terminal properties of the Baltimore & Ohio Chicago Terminal R. R. are used by the following companies as tenants: Pere Marquette Ry., Baltimore & Ohio R. R., Minneapolis, St. Paul & Sault Ste. Marie Ry., Wabash Ry., Chicago Great Western R. R., Suburban R. R., Chicago, Terre Haute & Southeastern Ry. and Chicago, Hammond & Western Ry.

PURCHASE OF C., I. & W. R. R. STOCK.

In January, 1926, the Baltimore & Ohio R. R. offered to purchase not less than 80% of the stock of Cincinnati, Indianapolis & Western R. R. at prices of \$24.50 for preferred and \$14.50 for com-

mon stock including 50 cents per share paid to bankers handling the transaction. The offer was to remain open for a reasonable time. During 1926, \$5,157,000 common and \$5,118,900 stock was acquired at \$2,006,667 cost, and in 1927, \$36,900 common and \$44,900 preferred was purchased. Ownership was 97.08% of the common and 96.50% of the preferred. Also \$1,000,000 First Mortgage 5% bonds were purchased for \$875,000 in 1926. The Cincinnati, Indianapolis & Western R. R. connects with the Baltimore & Ohio R. R. at Hamilton, Ohio, extending west through Indianapolis to Springfield, Ill., 296 miles, with a branch, 25 miles, to Brazil, Ind. Traffic association had been close.

Beginning 1927 this road was operated as an integral part of the Baltimore & Ohio R. R. with the earnings of which its operating results were included.

MISCELLANEOUS

From September 1, 1926, Baltimore & Ohio R. R. ceased to use Pennsylvania Terminal in New York City, entry to which had been obtained during federal operation. A special bus service was inaugurated to carry passengers to the New Jersey terminal of Central R. R. of New Jersey.

Construction of fruit, vegetable, and produce terminals in Philadelphia at a cost of \$4,000,000 has been undertaken by Baltimore & Ohio R. R. in conjunction with Reading Co. These are to be among the largest and best of facilities devoted exclusively to this purpose. There will be 1,300,000 cubic feet of refrigerating space and team track delivery yard of 300 freight car capacity.

On December 31, 1927, Current Assets, including \$2,468,469 Material and Supplies, were \$1,111,115, and Current Liabilities were \$55,421,123. Credit balance to Profit and Loss was \$23,856,722. Total Corporate Surplus was \$4,655,000 including \$2,794,816 Additions to Property through Income and Surplus.

Of the total tonnage carried in 1927, heavy hauls contributed 46.7% against 46.0% in 1926, 44.7% in 1925, 42.9% in 1924, 45.0% in 1923, 44.4% in 1922, 49.3% in 1921, and 41.6% in 1920.

Appropriations from surplus earnings for additions and improvements have been as follows:

Year 1900-1.....	\$2,742,032	Year 1908-9.....	\$546,046
Year 1901-2.....	2,765,104	Year 1909-10.....	415,761
Year 1902-3.....	4,373,030	Years 1911-12 to 1915.....	None
Year 1903-4.....	2,405,657	Year 1916.....	*1,751,000
Year 1904-5.....	1,979,434	Year 1921.....	*3,500,000
Year 1905-6.....	4,055,038	Year 1922.....	*3,500,000
Year 1906-7.....	4,000,082	Year 1923.....	*3,500,000
Year 1907-8.....	2,65,050	Year 1924.....	*5,250,000

*Charged to Profit and Loss in 1920, 1921, 1922, and 1923; these amounts set aside for capital purposes, including payment

of funded debt, under indenture of 1919 bond issue. The 1923 appropriation anticipated the final semi-annual requirement.

A comparative table follows of weight of rail in main track, 7,076 miles as of December 31, 1927, including 5,476 first, 1,407 second, 143 third, and 49 miles of fourth track, but not including trackage, as compared with June 30, 1911:

	1927	1911
130-pound rail	604 miles	.....
100- " "	3,623 "	594 miles
90- " "	887 "	1,014 "
85- " "	1,076 "	2,719 "
80- " "	11 "	50 "
75-lb. and lighter rail.....	867 "	1,283 "

On December 6, 1914, the Baltimore & Ohio R. R. completed the construction of one track of a double track line and relocation of parts of the old line between Okonoke and Orleans Road, W. Va., known as the Magnolia Cut-off. With the use of this improvement which shortened the line 5.78 miles, it was possible to increase the east-bound slow freight train load 36.36%. The freight traffic density on this section of the line was the greatest throughout the entire system, at times exceeding 24,000,000 ton miles per mile of road per annum.

During the eight years, January 1, 1910, to December 31, 1917, the B. & O. R. R. expended \$139,000,000 for additions, betterments, extensions and new equipment. During the nine years 1918-26 additions to road and equipment accounts approximated \$134,000,000. The company now has a continuous double track line from Philadelphia to Chicago. A few years ago over 80% of this was reported laid with 100-pound rail and the remainder 90-pound rail; over 70% of the section was stone ballasted; and a total of 93% of the freight equipment in service was of steel construction.

On February 1, 1917, the B. & O. R. R. acquired the total \$10,000,000 stock of the Coal and Coke Ry., Elkins to Charleston, W. Va., with branches, 197 miles, with 40 miles of sidings, 34 locomotives, 30 passenger cars and 2,066 freight cars. The cost of the railway, subject to \$5,000,000 First Mortgage 5% bonds and \$90,595 other debt, was \$2,508,552. The original cost of the line was in excess of \$8,900,000.

BUFFALO & SUSQUEHANNA R. R. CORP.

See Table, page 77.

Semi-annual dividends of 2% each have been paid on the preferred stock since July, 1915. On the common stock 5% was paid in 1916, and 7% in 1917, 1¼% quarterly March, June and September and 3¼% December. In each year 1918 to 1924 7% was paid with extras of 3% in 1920, 10% in 1922 and 1923, and 2½% in 1924.

In 1925 a dividend of $\frac{3}{4}\%$ was paid in December making a total 6% regular dividends paid in that year. The common dividend was suspended with 1926. The voting trust under which the stocks had been held for ten years expired December 31, 1923.

Authorized issue of the First Mortgage bonds is \$10,000,000 (interest rate on unissued bonds limited to 5% per annum). On January 1, 1928, \$4,474,700 were in hands of the public, \$2,115,800 were in sinking fund and \$368,500 had been reacquired for the treasury.

The Corporation owns, all pledged, practically all the capital stock (\$100,000) of the Powhatan Coal & Coke Co., and the entire \$663,635 (December 31, 1927) mortgage of that company; also practically all of the capital stock (\$1,150,000) and the \$1,000,000 mortgage of the Buffalo & Susquehanna Coal & Coke Co. On the latter stock, dividends of \$298,909 were received in 1923, \$74,727 in 1924, \$99,970 in 1926, out of surplus, and none in 1927. Payments on principal of mortgages held (\$24,046 in 1927; \$41,990 in 1926; \$37,619 in 1925; \$63,482 in 1924), also interest on bonds held in sinking fund, are applied to the sinking fund for the Corporation's First Mortgage bonds.

On October 17, 1927, following the bankruptcy of the Rogers-Brown Iron Co., the mines and coke ovens, at Sykesville and Tyler, Pa., belonging to the Powhatan Coal & Coke Co. and operated by Rogers-Brown, were taken possession of by the Powhatan Co. and operating contracts cancelled. These properties were then leased to the Buffalo & Susquehanna Coal & Coke Co., which started to mine coal, but coke manufacture was discontinued. The net effect will be that the railroad will have a larger tonnage of coal to transport than if shipped in form of coke.

Tentative valuation of the carrier property including leased lines has been placed at \$9,845,905 as of June 30, 1919.

Of main line December 31, 1927, 167 miles were laid with 85-pound and 71 miles with 80-pound rail.

Of total tonnage in 1927, 75% was bituminous coal (1926, 46%; 1925, 49%; 1924, 66%).

This company in December, 1913, took over the property formerly operated by the Buffalo & Susquehanna R. R., following foreclosure of the mortgage securing the First Refunding Mortgage 4% bonds. The Corporation received the property free from any mortgage debt.

For several years Buffalo & Susquehanna R. R., the predecessor, had operated the railroad and met obligations, but in 1907 the property was leased to the Buffalo & Susquehanna Ry. The lessee had built 86 miles of railway intending to extend the line to Buffalo and the heavy debt incurred on this account forced the company into receivership.

The former Buffalo & Susquehanna R. R. had outstanding \$9,510,000 First Refunding Mortgage 4% bonds, \$4,000,000 preferred stock and \$5,694,000 common stock. The common stock,

which was held wholly by the Buffalo & Susquehanna Ry., did not participate in the reorganization. The plan of reorganization was as follows:

Old Securities.	Assessed	Received		New Com.
		New Bonds	New Pfd.	
Bonds .....	.....	70%	30%	15%
Preferred stock.....	10%	10%	20%	30%

The total amount of assessment (paid by the holders of the old preferred stock) was \$400,000.

The stock and bonds issued were as follows:

Common stock	\$3,000,000
Preferred stock, 4% cumulative	4,000,000
First Mortgage 4% bonds	6,959,000
Equipment trust obligations, 5% (since retired).....	738,000

Current Assets as of December 31, 1927, were \$740,431, including \$159,843 Material and Supplies, but not including \$1,590,934 Liberty bonds, etc., held for investment. Current Liabilities were \$272,398. Credit balance to Profit and Loss was \$1,080,381 and total Corporate Surplus \$1,599,314.

BUFFALO, ROCHESTER & PITTSBURGH RY.

See Table, page 78.

The preferred stock is entitled to non-cumulative dividends of 6% per annum. After the common stock has received 6% the two issues share pro rata.

The following dividends have been paid annually since 1908:

	'08	'09-'10	'11	'12	'13-'14	'15	'16	'17	'18	'19-'27
Preferred %..	6	6	6	6	6	6	6	6	6	6
Common %..	4½	4	5	5½	6	4	5	6	5	4

The dividends are paid semi-annually, February and August. In 1925 the common dividends were paid in August and December.

STOCK BOUGHT BY VAN SWERINGENS.

In October, 1928, A. Iselin & Co. announced the acceptance of an offer by Messrs. O. P. and M. J. Van Sweringen to purchase at \$100 per share of preferred or common stock all of the holdings of the bankers and associates in aggregate about 67% of total stock outstanding. It was stipulated that minority holders be offered \$102.50 gross per share of which \$2.50 would be retained by bankers as compensation.

LEASE PROPOSED IN 1925.

In May, 1925, the directors approved a proposal, subject to Interstate Commerce Commission approval, made by Delaware &

Hudson Co. to lease the property at a rental equal to 6% on the common stock. The Buffalo, Rochester & Pittsburgh Ry. reserved the right to terminate the agreement after 1926 if approval of the lease had not by then been obtained. Report of an examiner for the Interstate Commerce Commission in November, 1926, recommended a finding that the lease would not be in the public interest. Principal ground for objection was the fact that the two roads were widely separated. The Delaware & Hudson Co. in February, 1927, announced that trackage rights had been obtained over Pennsylvania R. R., 228 miles, Buttonwood to Dubois, Pa., to connect it with the B., R. & P. line. Subsequently the Interstate Commerce Commission reopened the case for hearings and asked the B., R. & P. to extend the lease option. This the company refused to do but did not state its attitude toward rearrangement of a lease if approved.

On December 29, 1927, the Interstate Commerce Commission denied approval of the lease.

FORMER OWNERSHIP OF COAL PROPERTIES.

For a number of years the treasury assets included the \$4,000,000 stock of Rochester & Pittsburgh Coal & Iron Co. In 1906-07 this stock was sold to Mahoning Investment Co., whose \$4,200,000 stock was distributed in December, 1906, to preferred and common stockholders of Buffalo, Rochester & Pittsburgh Ry., in the proportion of 25% of holdings.

VALUATION.

A tentative valuation as of June 30, 1917, has been served on the company including leased lines of \$59,422,709 including \$1,893,357 non-carrier property, which total exceeded by \$6,786,794 the capitalization then outstanding. The valuation was about \$12,000,000 in excess of capitalization. Valuation included \$13,000,000, or 20.8%, deduction for theoretical depreciation.

IMPROVEMENTS, ETC.

Appropriations from surplus earnings for improvements, construction and equipment have been made as follows:

Year 1901-2.....	\$583,562	Year 1911-12.....	\$375,000
Year 1902-3.....	950,749	Year 1912-13.....	448,796
Year 1903-4.....	497,389	Year 1913-14.....	348,352
Year 1905-6.....	394,142	Year 1914-15.....	111,211
Year 1906-7.....	308,748	Year 1915-16.....	646,594
Year 1909-10.....	315,000	Year 1916.....	858,391
Year 1910-11.....	371,500	Year 1917.....	*644,354

**\$568,299 of the appropriation for 1917 was used to retire equipment bonds, and the balance used to purchase new equipment.*

No substantial appropriations have since been made from earnings.

The Rural Valley R. R., 12 miles from Echo, Pa., to the mines of Cowanshannock Coal & Coke Co., was purchased as of July 1, 1925 for \$345,977, including three locomotives and two passenger cars, by Alleghany & Western Ry., a B., R. & P. leased road.

Prior to July 1, 1908, \$3,500,000 common stock had been sold to stockholders at par and the greater part of the proceeds used to pay for the construction of 63 miles of road.

On May 1, 1907, a new Consolidated Mortgage was created to secure \$35,000,000 50-year 4½% bonds. Of these bonds \$3,000,000 were issued immediately, \$18,145,000 were reserved for retirement of underlying obligations and the balance reserved for the future wants of the company, to be issued at not exceeding \$1,500,000 per annum. Of these bonds \$29,114,000 were outstanding December 31, 1927. In 1919, \$2,285,000, in 1921, \$3,949,000, in 1922, \$4,500,000, and in 1924, \$3,000,000 (\$2,000,000 of the proceeds for retiring 5½% and 6% notes), and in June, 1927, \$3,536,000 bonds were sold.

In 1921 the Pension Fund (created 1903) and Fire Insurance Fund (created 1892) were discontinued. The \$251,729 surplus of the former was transferred to Profit and Loss, and expenditures for pensions thereafter made from Current Assets. Surplus of the Fire Insurance Fund was transferred, \$425,869 to Profit and Loss and the balance to Operating Reserve—Fire Insurance.

In 1927, 56% (1926, 55%; 1925, 47%; 1924, 48%; 1923, 58%) of the tonnage moved over the Buffalo, Rochester & Pittsburgh Ry. consisted of bituminous coal, as compared with a "normal" percentage of 65%. Tons of all freight were 11,550,978 in 1927, 12,263,611 in 1926, 10,304,201 in 1925, 9,921,072 in 1924, 14,066,864 in 1923, 9,715,054 in 1922, and 7,503,909 in 1921.

Main and second track (including rail operated under lease) December 31, 1927, contained:

34 miles of 115-	pound rail,	118 miles of 90-	pound rail,
424 " " 100-105-	" "	54 " " 80-85-	" "
1 mile of 60-71-pound rail.			

On December 31, 1927, Current Assets were \$6,419,732 (including \$2,024,423 Material and Supplies) and Current Liabilities \$1,756,133. Profit and Loss credit balance was \$3,129,190 and Appropriated Surplus, \$4,718,885.

CENTRAL R. R. OF NEW JERSEY.

See Table, page 79.

The dividend rate was increased in February, 1902, to 8% which has been regularly maintained since, together with semi-annual extras of 2% initiated in December, 1909, making total dividend payments 12% annually. The 8% regular dividend is paid quarterly, February 15, etc., and the 4% extra dividend semi-annually, January and July 15.

The extra dividends were formerly paid from dividends received on stock of the Lehigh & Wilkes-Barre Coal Co. except that those for December, 1915, and for the year 1916, were paid from railway profits. Owing to a court order temporarily preventing the railroad from receiving the December, 1920, dividend on its coal company stock, the extra on the railroad stock was not paid at that time, but with the later assent of the court the dividend was taken up and the extra 2% paid in February, 1921, making a total of 10% in 1920 but 14% in 1921. Owing to change in dividend dates the total payment in 1922 was 10%.

Reading Co. owns \$14,504,000 Central R. R. of New Jersey stock (acquired 1901); also \$30,000 held in Insurance Fund. This stock-holding under the Reading dissolution decree was ordered trustee until a favorable time for sale, or pending the determination of a final plan for railroad consolidations, which under the Transportation Act are permissible without regard to anti-trust laws.

SALE OF COAL PROPERTY.

By the decree in the Reading Co. segregation, this company was required to sell its holdings of Lehigh & Wilkes-Barre Coal Co. stock, viz.: \$8,489,650 of \$9,210,000 outstanding. On November 17, 1921, it was announced that the 169,788 shares (\$50 par) had been sold for \$32,500,000 to a New York syndicate. The Coal Company on November 29, 1921, paid a dividend of \$35 a share which was treated as payment on account of the purchase price. Delivery of the stock to the syndicate was made on November 30, 1921. Propriety of the sale was litigated by Jersey Central minority stockholders, but suit was dismissed by the court in 1923.

Notwithstanding sale of this stock the 2% extra dividends on Central R. R. of New Jersey stock were paid in December, 1921, July, 1922, and thereafter on January and July 15, 1923, 1924, 1925, 1926, 1927, and 1928.

The greater part of the net amount realized from the stock sale, \$32,134,077, has been appropriated for additions and betterments. This included \$12,857,622 expended to the close of 1927 for a bridge across Newark Bay, 7,500 feet long with 1,546-foot approach viaducts. The bridge was placed in service November 28, 1926, but construction of approaches and dredging of ship channels to required depth between draw spans was not finished until early in 1928. The cost of retirement of the old trestle was included in \$2,412,929 charged to operating expenses in 1926, also retirement of old equipment and adjustment of equipment depreciation as result of adoption of a revised rate of reserve. A large amount has been spent for grade crossing elimination in recent years and further such expenditures are planned.

Installation of a train control system between Elizabethport and Perth Amboy, N. J., was begun in 1927, to be completed in 1928,

at an estimated cost of \$580,000. A similar system was installed on the New York & Long Branch R. R. from Perth Amboy to Bay Head Junction, N. J., affording continuous train control operation between Elizabethport and Bay Head, N. J.

GENERAL

C. R. R. of N. J. guarantees as to principal and interest \$3,054,000 (outstanding in 1927) Lehigh & Wilkes-Barre Coal Co. 4s due 1950, and jointly with Pennsylvania Railroad the \$2,500,000 4s and 5s of New York and Long Branch R. R. due 1941; also has assumed \$4,987,000 American Dock & Improvement Co. First Mortgage bonds extended for 15 years from July 1, 1921 at 6%. Property of the American Dock & Improvement Co. (conveyed to the R. R. Co. in 1917) is carried on the books at \$4,987,000. The property is considered to be worth much in excess of this figure.

Among other securities C. R. R. of N. J. owned, as of December 31, 1927, \$30,000 stock of American Dock & Improvement Co., \$2,000,000 stock of N. Y. & Long Branch R. R., \$787,000 stock of Lehigh & Hudson River Ry., \$130,680 stock of Allentown Iron Co., \$225,000 stock of Allentown Terminal R. R., \$3,244,000 Reading Co. General and Refunding 4½% and \$1,622,000 P. & R. C. & I. Co. Refunding 5% bonds, and \$6,250,000 U. S. Liberty bonds and Treasury notes. There were owned a total \$3,903,025 par value of stocks carried at a book value of \$3,721,905, and \$15,037,112 face value of bonds carried at book value of \$14,742,105, including \$2,175,000 bonds of the company carried at par. Of the stocks \$2,300,000 par value were pledged but the bonds were unpledged.

In 1925, the company expended \$1,345,490 for miscellaneous real estate and \$1,823,703 in connection with the Central Building, New York City.

Increased traffic through the Bronx terminal of the company on the north bank of the Harlem River and east of Third Avenue caused it in December, 1926, to purchase 7¾ acres of adjacent land at \$1,750,000 cost.

Joint operation of through trains with the Baltimore & Ohio R. R. under the "New Line Agreement of 1898," beginning 1918 was discontinued but was resumed August 29, 1926, following withdrawal of B. & O. from use of the Pennsylvania Terminal, New York.

Final settlement was effected during 1923 for the period of federal control, the company receiving \$4,500,000 which was credited to Profit and Loss.

On December 31, 1927, Current Assets were \$10,216,196 (including \$4,307,010 Material and Supplies) and Current Liabilities \$7,848,746. Credit balance to Profit and Loss was \$21,223,492 and Corporate Surplus (invested in property) was \$68,442,859, a Total Surplus of \$89,666,351.

DELAWARE & HUDSON CO.

See Table, page 80.

On April 23, 1923, this company celebrated the 100th anniversary of its incorporation as the Delaware & Hudson Canal Co.

Dividends are paid quarterly, beginning March. The dividend rate is at present 9%, having been raised in January, 1907, from 7% to 9%. In December, 1917, the policy of declaring the full 9% dividend for the following year payable in four installments was abandoned. Quarterly dividends of 2¼% each have since been declared.

From the date of its organization (1826) to December 31, 1927, this company paid a total of 270 cash dividends aggregating 785%, or approximately \$165,000,000; stock dividends totaling 85% were also paid. Dividends have been paid uninterruptedly since 1881.

For years a large amount of betterment and new work was provided for by charges to expenses, both in the Railroad and Coal Departments.

In May, 1910, the ordinance passed in 1899 authorizing a sinking fund was amended so that the fund might be applied to purchase of coal lands, etc., as well as railroad property. To December 31, 1910, \$1,631,958 had been accumulated in this fund. Owing to segregation of coal properties in 1927 there was no addition to the fund by the railroad. Appropriations prior to 1927, included in annual fixed charges by Delaware & Hudson, were as follows:

1926	.....\$385,568	1918	.....\$384,196
1925	.....283,725	1917	.....366,000
1924	.....405,874	1916	.....311,004
1923	.....351,680	1915	.....233,385
1922	.....190,228	1914	.....200,770
1921	.....398,087	1913	.....216,972
1920	.....353,777	1912	.....285,486
1919	.....353,788	1911	.....321,536

TRANSACTION WITH PENNSYLVANIA CO.

Proceeds from sale of bonds by the subsidiary Hudson Coal Co. were \$33,425,000 and were delivered to Delaware & Hudson Co. in payment for its coal properties in 1927. These funds were used by Delaware & Hudson Co. to purchase stocks of other railroads. During 1927 the company bought \$15,226,950 Lehigh Valley stock at \$72.51 average cost and \$6,650,000 common and \$15,070,000 preferred A Wabash stock at \$70.91 and \$95.77 average costs. Total cost of stocks bought was \$41,233,442. In April, 1928, the sale of holdings of these stocks to Pennsylvania R.R. interests was announced. Price received from Pennsylvania Co. was understood to approximate \$63,000,000.

PROPOSED LEASE OF B., R. & P. RY.

In May, 1925, the directors of Buffalo, Rochester & Pittsburgh Ry. agreed to lease the property to Delaware & Hudson at a rental equal to 6% on the common stock, subject to voiding of the agreement if approval of the lease were not secured prior to 1927. In November, 1926, an examiner for the Interstate Commerce Commission recommended a finding against the lease, principally on the grounds that the lines of road were widely separated. In February, 1927, the Delaware & Hudson Co. announced that trackage rights over 228 miles of Pennsylvania R. R., connecting at Dubois, Pa., with the B., R. & P. line, had been secured. In March, 1927, the Buffalo, Rochester & Pittsburgh Ry. exercised its option to terminate the agreement to lease. The Delaware & Hudson estimated savings of \$411,567 annually from elimination of empty car movement and \$1,125,000 annually from reduction in capital expenditures would result from the lease.

TENTATIVE VALUATION.

The Interstate Commerce Commission in 1923 reported tentatively and in 1926 confirmed as "final" a valuation of \$95,834,979 as of June 30, 1916, for property of D. & H. and subsidiaries used in transportation, comparing with book valuation of \$103,265,011 at that date. From valuation date to December 31, 1927, the D. & H. proper added over \$21,700,000 to property account. Nothing was included to represent coal, traction, or other "outside" properties. Company protested the valuation, and sought to obtain an injunction against the Commission. The Supreme Court in January, 1925, sustained the District Court in refusing to grant an injunction.

FINANCING.

To provide for the payment of maturing bonds, and for other purposes, there was sold to stockholders in 1904, \$7,000,000 of an authorized issue of \$10,000,000 capital stock at \$135 per share.

In 1906, \$7,000,000 6% and \$3,000,000 7% bonds of the Albany & Susquehanna R. R. matured. To provide funds for the retirement of these bonds there were offered at par to stockholders \$10,000,000 Albany & Susquehanna R. R. 3½% bonds convertible at option of holder until April 1, 1916, into capital stock of the Delaware & Hudson Co. at the rate of \$200 in bonds for \$100 in stock. The Albany & Susquehanna R. R. is leased for 150 years from 1870, the rental at that time being 9% yearly on its capital stock. After the above mentioned bonds were refunded at an annual interest saving to the Delaware & Hudson Co. of an amount equal to about 3½% yearly on the Albany & Susquehanna R. R. stock, the stockholders of the latter company claimed that the benefit resulting from this saving should accrue to their stock. The Court sustained their position. Under this judgment the Dela-

ware & Hudson Co. paid to the Albany & Susquehanna R. R. in 1909 the sum of \$1,350,512 and charged same to Profit and Loss. The Court further ordered the Delaware & Hudson Co. to pay to the Albany & Susquehanna R. R. \$120,750 added annual rental, from which additional dividends have been paid: 3.45% 1909-12, 3.25% 1913-17, none in 1918, 1½% 1919, and 2% since (in December each year). Variation in the extra dividend has been due largely to the difference in federal taxes, which are borne by the company. A total of \$3,556,000 Albany & Susquehanna R. R. 3½s were converted into Delaware & Hudson Co. stock and the bonds are held in the treasury of the Delaware & Hudson Co.

In 1906, \$14,000,000 4% convertible debentures, due June 15, 1916, of the Delaware & Hudson Co. were subscribed for by stockholders at par. These debentures were exchangeable for stock until June 15, 1912, at the rate of \$200 in debentures for \$100 in stock. At maturity \$13,973,000 of these debentures remained unconverted and were paid off with part of the proceeds of an issue of 5% convertible debentures (see second paragraph following).

In 1907, \$10,000,000 4½% equipment bonds were sold, due 1922.

In 1908, the stockholders authorized \$50,000,000 First and Refunding Mortgage 4% bonds due 1943. Of these bonds, \$13,309,000 were sold in 1908, \$7,395,000 in 1909, \$7,000,000 in 1911, \$4,500,000 in 1914, \$4,600,000 in December, 1924, and \$2,196,000 in February, 1926, making \$39,000,000 outstanding December 31, 1927. Proceeds from the bonds sold in 1924 were used to pay \$500,000 Schenectady & Duanesburgh R. R. First Mortgage 6s and various short term loans made for capital expenditures. Of the remaining \$11,000,000 bonds issued under the mortgage \$10,000,000 are pledged and \$1,000,000 reserved.

In September, 1915 stockholders were permitted to subscribe to the extent of 34% of holdings to an issue of \$14,451,000 5% debenture bonds due October 1, 1935, convertible into stock for ten years beginning October 1, 1917, on the basis of \$1,500 bonds for \$1,000 par value of stock. The proceeds of this convertible debenture bond issue were, as stated above, mostly used to retire the \$13,973,000 maturing 4% debentures. During 1926, \$884,550 were converted into \$589,700 stock. In 1927, prior to expiration of the privilege, \$12,721,800 bonds were converted into \$8,481,200 stock, leaving \$844,650 bonds outstanding. The issue is redeemable at 105.

Under date of August 1, 1917, \$9,000,000 3-year 5% secured notes were sold to pay off \$5,000,000 7% bonds and for corporate purposes.

In 1920 \$10,000,000 ten-year 7% secured bonds were sold, providing funds to pay the maturity of \$9,000,000 5% notes. These bonds are not subject to redemption.

In 1921 the \$2,000,000 7% First Mortgage bonds of the Rensselaer & Saratoga R. R. matured and a like amount of 6% First Mort-

gage bonds, due 1941, were sold, guaranteed by the Delaware & Hudson Co.

In 1922 \$7,500,000 fifteen-year 5½% bonds were sold to pay \$6,024,000 equipment bonds, which remained outstanding of the \$10,000,000 sold in 1907. The bonds are redeemable at 105 on May 1, 1932, and thereafter at 105 less ½% for each six months from that date to date of redemption.

SECURITIES OWNED—COAL ASSETS.

On December 31, 1927, the Delaware & Hudson Co. owned \$51,901,987 par value of securities of affiliated companies carried at \$31,655,167 book value. Income on these holdings was \$168,506 in 1927 and \$1,567,120 in 1926. No dividends were paid on Hudson Coal Co. stock in 1927; payments were \$1,215,427 in 1926 and \$1,195,618 in 1925.

Stocks owned in 1927 included \$17,748,250 Hudson Coal Co. stock (\$50 par), carried at \$14,981,260 book value, comparing with \$17,363,256 in 1926; \$17,080,250 in 1925; \$16,675,250 in 1924; \$16,324,250 in 1923; \$16,120,800 in 1922; \$15,722,800 in 1921; \$11,591,300 in 1920; \$9,856,300 in 1919; \$9,596,300 in 1918; and none in 1917. In 1917, however, Unmined Coal Owned and Controlled, \$17,809,672, was shown as an asset on the balance sheet, while in 1918 the only corresponding item was Coal Lands and Real Estate, \$6,541,585 (in 1926, \$7,002,585; in 1927, none). A 4% demand note for \$674,289 from the Coal Co. was also owned. Of the Hudson Coal stock \$6,250,000 was pledged as security for \$5,000,000 bank loan.

Other coal assets, presumably now represented by Coal Co. stock owned, were last shown in the balance sheet in 1917 as follows: Advances on Unmined Coal, \$256,237; Coal Mining Department Equipment (cars, motors, mules, horses, etc.), \$1,342,606, and Coal Handling and Storage Plants, \$81,138.

COAL SEGREGATION AUTHORIZED.

In May, 1925, stockholders approved the recommendation of the board of managers that they be authorized to transfer lands or other property pertaining to anthracite mining or marketing to a subsidiary corporation whose stock would be entirely owned by Delaware & Hudson Co. In October, 1926, as an alternative method of accomplishing a like result, the company was authorized to transfer the transportation and allied interests, or any of them, to a wholly owned subsidiary.

In June, 1928, stockholders authorized the formation at any time until May 8, 1931, of a subsidiary to own property excepting anthracite interest.

TRANSFER OF PROPERTY IN 1927.

In June, 1927, the Hudson Coal Co. sold to the public \$35,000,000 First Mortgage Series A 5% bonds due 1962 and purchased as of June 1 all the coal properties formerly owned by the Delaware &

Hudson Co. and the Northern Coal & Iron Co. Proceeds from the bonds, delivered to Delaware & Hudson Co., were \$33,425,000. See a preceding paragraph in regard to investments made by the railroad.

Following the acquisition of the D. & H. properties, the company owned in fee 21,229 acres of anthracite coal bearing land or the coal thereunder. Over 540 million gross tons of unmined merchantable anthracite were estimated to be owned in fee while an additional 26 million were estimated to be contained in lands held under lease. The properties are in Wayne, Susquehanna, Lackawanna, Luzerne, and Schuylkill counties, Pennsylvania.

Commercial production was 7,943,747 tons in 1923, 9,244,695 in 1924, 6,386,026 in 1925, 8,194,255 in 1926, and 6,481,408 in 1927. Net earnings therefrom, after deducting all operating expenses, maintenance (including all expenditures for renewals, replacements, and modernization of plant), taxes (except federal income taxes), and the minimum sinking fund of 5 cents per ton to be provided under the mortgage, averaged \$4,293,663 annually in four years 1923 to 1926 and were \$4,361,365 in 1926. A net loss of \$376,660 was reported in 1927 after deduction for depletion of \$1,303,823.

The balance sheet of the company as of December 31, 1927, showed: \$58,108,420 Coal Lands, Real Estate, etc., \$22,809,749 Current Assets, and \$14,081,797 other assets; \$7,759,426 Current Liabilities, \$35,000,000 Funded Debt, \$17,748,250 Capital Stock all owned by Delaware & Hudson Co., \$10,018,849 Reserves, \$72,580 Deferred Credits, and \$24,400,861 Surplus.

There were authorized \$50,000,000 bonds, \$15,000,000 being issuable to extent of 75% of the cost of property acquired, etc. A sinking fund was provided of 5 cents per ton of coal mined with minimum equal to 1% of bonds authenticated plus interest on bonds to be kept alive in sinking fund.

RELATION WITH COAL INTEREST.

In the annual report for 1918 the following statement was made:

"While your company was the first to operate a steam locomotive on the American continent and in 1917 was probably the oldest American corporation operating a railway under its original charter, its common carrier functions were, until a few years ago, secondary to its function as a producer of fuel. Its railway system was inaugurated and expanded as an agency for the marketing of its anthracite, and the common carrier duties which it undertook were merely incidental to this principal purpose. As recently as February 19, 1906, the Supreme Court of the United States deciding the matter of *Interstate Commerce Commission v. Chesapeake & Ohio Railway* (200 U. S. 361), determined that a corporation which was at once a common carrier and an extensive owner of coal lands could not be charged with unjust discrimination in respect to any transportation undertaken for its own account as a producer

and although the commodities clause of the Hepburn law was made by its terms to take effect on May 1, 1908, it was at first held to be unconstitutional (*164 Fed. 215*) and did not become actually effective until after the decision of the Supreme Court in *United States v. Delaware and Hudson Company* (*213 U. S. 366*) which was rendered on May 3, 1909. This decision sanctioned the relations then existing between your railroad and coal departments although for the first time it was held, in that case, that your company is a "railroad company" within the intendments of such a statute (*213 U. S. 417-18*). From the date of the last mentioned decision it became desirable to develop the common carrier functions of your railway upon lines wholly independent of your interest as a coal-producing enterprise."

COAL TONNAGE AND TRAFFIC.

The amount of anthracite coal produced by the coal properties in 1927 was 6,481,408 long tons of a total of 66,610,044 tons (in 1926, 8,547,147 of 69,555,804 tons; in 1925, a strike year, 6,406,093 of 50,645,060 tons; in 1924, 9,254,240 of a total 73,328,000; in 1923, 8,188,869 of a total 76,067,455) produced in the region during that year. The estimated amount of mineable coal owned and controlled in 1917 was estimated at between 700 and 800 million tons.

Anthracite coal in 1927 contributed 12,288,936 tons (1926, 13,744,626; 1925, 9,893,622; 1924, 13,833,862; 1923, 13,117,090; 1915-17 average, 10,480,136) of 24,981,012 total tonnage (1926, 26,794,153; 1925, 22,353,063; 1924, 25,327,365; 1923, 25,341,021; 1915-17 average, 22,762,555).

ALLIED TRANSPORTATION PROPERTIES.

Through stock ownership, the Delaware & Hudson Co. controls the Quebec, Montreal & Southern Ry. (200 miles), the Napierville Junction Ry. (42 miles), and the Greenwich & Johnsonville Ry. (21 miles). The Delaware & Hudson Co. thus controls the shortest line between Quebec and New York, between Montreal and New York, and between Quebec and Montreal.

In 1905, over 99% (\$12,499,600) of the stock of the United Traction Co. of Albany, and a half interest (\$2,050,000) in the Schenectady Ry. were acquired. The former in 1906 acquired most of the stock and bonds of the Hudson Valley Ry., an electric road. The Delaware & Hudson owns controlling interest in various other traction lines, boat lines and steam railways.

Results of some of these properties in 1927 were as follows:

Trolley Lines	Revenue	Net	
Union Traction Co.....	\$2,738,184	\$261,832	(op. inc.)
Hudson Valley Ry.....	620,849	217,181	(op. def.)

An increase of fare from seven to ten cents was allowed Union Traction Co. effective July 1, 1927. Operation of Plattsburgh

Traction Co. and Troy & New England Ry. Co. has been discontinued.

Boat Lines

Champlain Transportation Co.	\$45,630 (net op. def.)
Lake George Steamboat Co.	9,147 (net op. def.)

Steam Roads

Greenwich & Johnsonville Ry. \$206,591	\$61,868 (net op. rev.)
Quebec, Mont'l & Southern Ry. 673,246	*131,812 (net inc.)
Napierville Junction Ry..... 687,696	321,517 (net inc.)

*Before interest due D. & H.

Omnibus Line

Capitol Dist. Transp. Co.....	\$583,708	\$5,148 (op. def.)
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In August, 1927, the Capitol District Transportation Co. was allowed to increase fares to equal rates authorized for the Union Traction Co.

On March 29, 1915, there was completed a line known as the Wilkes-Barre Connecting R. R. connecting the lines of the Delaware & Hudson Co. with the Pennsylvania R. R. The cost of this railroad to December 31, 1915, was \$2,214,724. The Pennsylvania R. R. pays one-half of the interest upon obligations (\$2,170,000 5% bonds) of the Wilkes-Barre Connecting R. R.

BALANCE SHEET, ETC.

Current Assets of the Delaware & Hudson, as of December 31, 1927, were \$12,503,530 (including \$3,452,445 Material and Supplies) and Current Liabilities were \$13,595,257 (including \$5,000,000 Loans and Bills Payable). Credit to Profit and Loss was \$31,091,144. Corporate Surplus also included \$6,995,389 added to Property through Income and Surplus.

On December 31, 1927, owned main tracks contained:

5 miles of 130-pound rail,	264 miles of 80-pound rail,
816 " " 90- " "	10 " " 67- " "

A total of 101 new industries were located along the company's lines in 1927 as compared with 61 in 1926, 76 in 1925, 97 in 1924, 73 in 1923, 63 in 1922, 94 in 1921 and 115 in 1920.

DELAWARE, LACKAWANNA & WESTERN R. R.

See Table, page 81.

The regular dividend rate was 10% formerly, and 10% extra was paid in December, 1906, to 1917 inclusive. In 1918 the regular rate was made 20%.

Following a 100% stock dividend paid in August, 1921 (see below) the increased stock was placed on a 12% dividend basis (quarterly, January). In December, 1921, 5%, and in December, 1924, 1925, 1926, and 1927, 2% extra dividends were declared, payable the following January.

Dividend disbursements from organization to December 31, 1927, amounted to approximately \$268,000,000 in cash and \$65,229,770 in stock. In addition valuable rights have been given to the stockholders. In September, 1927, the stock of Lackawanna Securities Co. holding the \$57,000,000 Glen Alden 4% bonds was distributed to Lackawanna stockholders. In August, 1921, the stock of Glen Alden Coal Co. was offered for subscription share for share at \$5 a share, on which \$10 annual dividends have been paid. In 1911, \$10,569,500 stock of the Lackawanna R. R. of N. J. was distributed among the Delaware, Lackawanna & Western R. R. stockholders.

100% STOCK DIVIDEND.

In April, 1921, the Interstate Commerce Commission permitted the "Lackawanna" to issue a stock dividend of \$45,000,000. The dividend, amounting to 100%, was paid in August, 1921, and \$42,220,550 charged to Profit and Loss. The purpose in increasing the stock was to capitalize in part surplus earnings invested in the property.

An exhibit by the company to the Commission showed that from organization in 1853 to May 31, 1920, net income from transportation was \$208,004,765, from sale of coal \$66,009,776, and from other sources \$40,840,138, a total of \$314,854,679. Out of this \$210,159,431 in dividends and \$14,233,472 in interest were paid, leaving a book surplus of \$90,461,776.

Following the \$42,220,550 stock dividend, the \$58,636,076 credit on account of sale of coal properties, both in 1921, and the \$59,631,848 appropriation on account of distribution of Lackawanna Securities stock in 1927, there remained on December 31, 1927, \$78,742,614 Surplus (\$72,018,374 Profit and Loss and \$6,724,240 Additions to Property through Income and Surplus).

PREVIOUS STOCK ISSUES.

In 1909, special dividends of 15% in stock and 50% in cash were declared and stockholders were given the right to use one-half of their cash dividend to subscribe at par for the entire \$6,590,700 stock of the Delaware, Lackawanna & Western Coal Co. This company was formed in furtherance of a plan to separate the Railroad's coal business from its transportation business.

In 1911, the Railroad Co. issued to stockholders \$10,569,500 stock of the Lackawanna R. R. of N. J. (\$11,000,000 authorized), being an amount equal to 35% of their respective holdings. The Delaware, Lackawanna & Western R. R. guarantees 4% dividends.

This stock was issued in connection with the building of a cut-off (28 miles) from Hopatcong, N. J., to near Portland, Pa., at total cost of \$11,065,511.

In 1913, \$12,000,000 new stock was offered by D., L. & W. R. R. to stockholders at par of \$50 a share. The proceeds were used to shorten, by 3.6 miles, the main line between Scranton, Pa., and Binghamton, N. Y., by the construction of a 40-mile cut-off, Clark's Summit, Pa., to Hallstead, Pa.

SYSTEM STATUS.

At February 28, 1927, the Lackawanna had outstanding \$84,441,100 stock and \$97,600 bonds, and subsidiaries \$44,861,944 stock and \$42,611,000 bonds, guaranteed by Lackawanna as to dividends or interest. A total \$87,570,544 of securities carried a fixed charge of \$4,424,628 or about 5.05% annually. Total capitalization was about \$176,000 per mile of road.

A valuation of \$232,119,442 as of June 30, 1918, was found for system physical property, and to December 31, 1926, additions and betterments were \$53,206,257. The total value indicated was \$285,325,699 covering \$172,011,644 system capitalization with \$113,314,055 excess.

FUNDED DEBT.

The Lackawanna itself has no funded debt (except \$97,600 Bangor & Portland Ry. First 6s) but guarantees \$35,000,000 Morris & Essex 3½s, \$1,394,000 Warren R. R. 3½s, and \$10,000,000 N. Y., Lackawanna & Western Ry. First and Refunding 4½s. Likewise, it guarantees, or provides from annual rentals, the dividends on stocks of various subsidiaries, such as 5% on \$10,000,000 N. Y., L. & W. stock, 4% on \$10,750,000 Lackawanna of N. J. stock and 7¼% on \$15,000,000 M. & E. stock.

Latter were sold March, 1923, to refund the Terminal & Improvement 4s and Construction 5s of the N. Y., L. & W., aggregating \$10,000,000, which matured May 1, 1923. At the same time \$668,000 Oswego & Syracuse R. R. Construction bonds matured and were paid off by the Lackawanna. The Oswego & Syracuse R. R. made a First and Refunding Mortgage in amount of \$2,000,000, under which \$1,193,000 5s due 1974 were issued to the Lackawanna and are held in its treasury. The N. Y., Lackawanna & Western Ry. likewise made a new mortgage to secure \$30,000,000 bonds, \$23,639,000 due 1973 being issued, one series of \$10,000,000 First and Refunding Mortgage 4½s being sold by the Lackawanna for refunding as above, and a series of \$13,639,000 5s issued to the Lackawanna which in 1927 were held in its treasury.

In 1925 the Greene R. R. and the Valley R. R. also issued to the Lackawanna \$207,000 and \$443,000 First and Refunding 5s, due 1974, which are held in the treasury. The Morris and Essex R. R. authorized and executed a Construction Mortgage for \$35,000,000,

due 1954 to 1987, under which \$11,582,000 5% bonds were issued to the Lackawanna for past additions and betterments and as later reduced to \$10,000,000 were held in its treasury on December 31, 1927. In October, 1927, \$9,871,000 Morris & Essex R. R. First Refunding Mortgage 3½% bonds were sold to reimburse the Lackawanna, and discount of \$1,628,715 was charged to Profit and Loss.

Advances to affiliated and leased lines were \$20,272,502 at the close of 1927 (\$12,806,416 in 1926).

Rental for leased roads paid by the Lackawanna in 1927 was \$6,962,236, consisting of \$3,011,149 bond interest, \$3,074,000 dividends on stocks, and \$877,087 cash rental.

LACKAWANNA SECURITIES CO.

A plan for segregation of bond holdings was announced in March, 1927, by the Lackawanna. It was proposed to form the Lackawanna Securities Co. and transfer to it \$9,871,000 Morris & Essex 3½% bonds due 2000, \$10,000,000 Morris & Essex 5% bonds due 1955, \$13,635,000 New York, Lackawanna & Western 5% bonds due 1973, and \$58,500,000 Glen Alden 4% bonds due \$1,500,000 September 1 annually.

Of the \$92,006,000 total, the \$23,635,000 5% bonds could not be distributed without Interstate Commerce Commission approval. In July, 1927, such approval was refused on the ground that the distribution of these treasury bonds would materially increase the interest charges of the company without apparent necessity.

In order to comply with the attitude of the Commission, the Lackawanna in August, 1927, announced that only the Glen Alden bonds would be distributed through the Lackawanna Securities Co. Stockholders of the railroad in September, 1927, for each two shares received one share of Securities Co. stock. The Securities Co. was incorporated in Delaware with 844,411 shares of no par value. Following the annual September 1 sinking fund payment it held \$57,000,000 Glen Alden 4% bonds. An initial distribution of \$3 per share was made October 1, 1927, by the Securities Co. Payments were subsequently made of \$1 on April 1 and \$3 on October 1, 1928.

GENERAL.

In 1925 an official statement was made recounting progress during twenty-five years. It was stated that, except for the Scranton cut-off line, all betterments and acquisitions during the period were financed from income, the aggregate exceeding \$182,000,000; funded debt decreased \$16,000,000; proportion of anthracite tonnage decreased from 60% in 1899 to 40% in 1924, traffic other than anthracite increasing from 5,000,000 tons to 17,000,000 tons.

Appropriations from income for general renewals and betterments have been made as follows:

Year 1904.....	\$3,446,719	Year 1916.....	\$1,701,968
Year 1905.....	3,587,486	Year 1917.....	1,785,612
Year 1906.....	5,551,619	Year 1918.....	1,458,323
Year 1907.....	3,820,088	Year 1919.....	869,556
Year 1908.....	*2,781,603	Year 1920.....	†2,509,679
Year 1909.....	2,099,454	Year 1921.....	†1,105,555
Year 1910.....	2,542,117	Year 1922.....	†732,537
Year 1911.....	2,200,628	Year 1923.....	†503,136
Year 1912.....	1,720,698	Year 1924.....	†569,808
Year 1913.....	1,879,576	Year 1925.....	†914,876
Year 1914.....	1,299,286	Year 1926.....	†692,196
Year 1915.....	1,616,056	Year 1927.....	None

**In former years \$1,172,121 of this amount would have been charged to Maintenance of Way. †"Additions and Betterments."*

In December, 1909, the Lackawanna sold \$1,850,000 Lehigh Valley R. R. stock for an amount \$2,622,739 above the original cost.

In November, 1915, the Delaware, Lackawanna & Western R. R. opened its new 39.6-mile cut-off between Clark's Summit and Hallstead, Pa., which reduced length of main line 3.6 miles, and by cutting down grades and curves permitted a saving of 20 minutes in the time of passenger trains and an hour in the time of freight trains, besides reducing from five to two the number of engines required to haul heavy freight trains up the grade between Scranton and Binghamton. The cost of the improvement was about \$12,000,000. The Tunkhannock viaduct, which forms a part of this cut-off is 2,375 feet long and 240 feet high.

Elimination of practically all grade crossings on the suburban line from Hoboken to Morristown was completed in 1923.

The opening of the Holland Tubes for vehicular traffic under the Hudson River between New Jersey and New York resulted in approximately 29% decrease of traffic on Lackawanna ferries from November 14 to December 31, 1927, or an annual rate of \$500,000 loss of revenues.

In 1925 the Moore Timber Co., a subsidiary which had produced lumber in Florida for the railroad from 1911 to 1919, liquidated its final assets, the Lackawanna receiving \$2,292,924 of which \$1,300,000 was applied against the stock owned and \$992,924 included in dividend income.

Weight of rail in main track (1,668 miles, including second and additional tracks) on December 31, 1927, was as follows:

198 miles of 130-pound rail,					14 miles of 90-pound rail,						
73	"	"	118-	"	"	336	"	"	80-	"	"
643	"	"	105-	"	"	16	"	"	75-	"	"
182	"	"	101-	"	"	9	"	"	60-	"	"
196	"	"	91-	"	"						

In connection with plans for development of the Port of Newark, the construction of a steel drawbridge over the Hackensack River on the main line was undertaken, at estimated cost of \$3,553,000, of which \$2,288,000 had been expended to the close of 1927.

Installation of automatic train control over 132 miles of double track between Scranton and Elmira was begun in 1927 and was 62% completed at close of the year.

In April, 1928, the company announced that, in compliance with demands of organizations representing 1,250,000 population in New Jersey towns and in consideration of agreement to increased fares, it would electrify the lines Hoboken to Dover, Hoboken to Gladstone, and the Montclair branch, 78 miles, at cost of \$14,000,000, completion to be in two years.

BALANCE SHEET.

As of December 31, 1927, Current Assets were \$14,691,091 (including \$3,131,790 Material and Supplies), and Current Liabilities were \$10,961,870. The credit balance to Profit and Loss was \$72,018,374 and Appropriated Surplus \$6,724,240.

On December 31, 1927, Investment in Road and Equipment, Improvements on Leased Railway Property, and Miscellaneous Physical Property amounted to \$130,338,070; Investments in Affiliated Companies were carried at \$18,926,878 (including \$9,562,610 Stocks); and Other Investments were carried at \$46,492,676 (including \$17,918,579 Notes and Advances and \$27,324,453 Bonds). Total Investments, \$195,757,624; Total Stock and Funded Debt, \$84,571,846. Rent for Leased Roads, however, amounted to \$6,962,236 in 1927 (\$6,993,306 in 1926; \$6,533,523 in 1925; \$5,967,749 in 1924); see preceding paragraph.

COAL SEGREGATION.

Ownership of coal lands subjected the Delaware, Lackawanna & Western R. R. to Pennsylvania State laws, which prevented expansion of capitalization in pace with growth in assets. Preliminary to acceptance of the Pennsylvania constitution and payment of the 100% stock dividend it was determined to segregate the coal properties by transfer to the Glen Alden Coal Co. in consideration of \$60,000,000 4% bonds secured by purchase money mortgage on lands conveyed. An annual sinking fund of \$1,500,000 began in 1926. Stockholders of Lackawanna received the right to subscribe in August, 1921, share for share to 846,000 no par value shares of Glen Alden Co. stock at \$5 a share, the \$4,230,000 provided being turned over to the Glen Alden Co. for working capital. Dividends paid on Glen Alden stock were \$1.50 per share in 1922, \$4.50 in 1923, \$7 in 1924 and 1925, and \$10 in 1926, 1927, and 1928.

The coal properties were estimated to contain over 400,000,000 tons of anthracite. Original cost to the Lackawanna was \$17,474,256, which was reduced by credits for surface sales and royalties and charge-offs for depreciation and depletion to \$2,205,988, the

figure at which the property was carried by Lackawanna May 31, 1920.

As a result of the sale Profit and Loss was credited \$58,636,076 in 1921.

Earnings of the Coal Department (included in Income Account by Lackawanna) were reported as follows prior to segregation:

	Total Sales and Earnings	Profit after all Expenditures for Improvements	Sales (tons)
1909.....	\$35,535,813	\$4,628,771	10,565,900
1910.....	21,708,054	3,381,262	9,916,837
1911.....	22,506,214	3,490,085	9,891,111
1912.....	21,659,116	3,885,508	9,233,230
1913.....	22,695,996	3,184,686	9,244,763
1914.....	23,949,079	4,357,007	9,427,905
1915.....	22,802,210	*3,443,040	9,113,144
1916.....	26,575,036	2,899,309	9,868,297
1917.....	34,350,678	4,321,268	11,558,476
1918.....	39,824,966	3,626,710	10,850,734
1919.....	44,325,488	4,989,682	9,280,897
1920.....	51,193,938	6,503,942	9,098,674
1921.....	42,309,924	(Not reported)	

*Of which \$1,906,123 was appropriated to cover Value in Ground of Coal Produced from Company's Fee Lands (\$2,001,448 in 1914).

The tonnage of anthracite coal moved in 1927 was 10,227,186 (1926, 10,957,570; 1925, strike year, 8,672,085; 1924, 11,198,304) of 28,105,664 (1926, 29,167,538; 1925, 26,397,447; 1924, 28,139,260) total tonnage.

Revenues from transportation of anthracite were \$20,519,782 in 1927 and \$22,711,502 in 1926. Revenues from other freight were \$41,156,600 and \$42,456,050 respectively.

COAL SALES CO.

In conformance with the Supreme Court decision that railroads cannot lawfully transport in interstate commerce coal owned by themselves, the Sales Division of the Coal Department was discontinued August 1, 1909, and a coal selling company (Delaware, Lackawanna & Western Coal Co.), was organized. Regular 10% dividends on the \$50 par stock were maintained since organization and the following extra distributions were made: 20% in 1913, 10% in 1914, 50% in 1915, 10% in 1916, 50% in cash and 40% in British and U. S. Government bonds in 1917, 30% in Liberty bonds in 1918, 75% in stock in 1920, 40% in stock in 1922, and 5% in cash in January, 1924 and 1925. Practically all of the stock of this company was acquired by Glen Alden Coal Co. in 1925 and 1926.

ERIE R. R.

See Table, page 82.

The first preferred and second preferred stocks are limited to non-cumulative dividends of 4% per annum. From January 1, 1901, to June 30, 1907, cash dividends were paid on the first preferred stock to an aggregate amount of 22% and on the second preferred stock to an aggregate amount of 8%; total dividends paid \$11,816,328. In the autumn of 1907 dividends were declared in scrip, payable 1917, but the Public Service Commission forbade the payment. No dividends have since been paid.

The common stock was increased by \$38,634,800 in 1927 through the conversion prior to expiration of the privilege October 1 of \$19,317,400 Series D 4% bonds. The discount of \$19,317,400 from issuance of stock at 50 was debited to Profit and Loss account.

STOCK CONTROL SOUGHT.

A subsidiary company of Chesapeake & Ohio Ry. owned December 31, 1927, \$35,730,000 (average cost 38.571) common, \$13,740,500 (average cost, 47.209) first, and \$5,049,500 (average cost 44.936) second preferred stocks of Erie R. R. Early in 1927 it also had options to purchase \$47,673,900 (average cost 34.50) common, \$2,469,500 (cost 45.875) first, and \$2,470,500 (cost 43.750) second preferred stocks from the Van Sweringen interests.

Authority to secure control of Erie R. R. and Pere Marquette Ry. was sought by Chesapeake & Ohio Ry. in 1927. Approval subject to certain restrictions was given in May, 1928, by the Interstate Commerce Commission to control of Pere Marquette Ry. Application to control Erie R. R. was disapproved and in its decision the Commission said that it did "not consider that relationship of C. & O. and Erie is complementary or supplementary. Erie constitutes an east-and-west connection in contrast with a northerly extension provided by Pere Marquette," while a further objection would be that acquisition "would constitute practically an allocation of an important New York-Chicago line in advance of the adoption of any general plan for the formation of competitive systems in eastern territory."

UNIFICATION PROPOSED IN 1924.

Under date of August 20, 1924, O. P. and M. J. Van Sweringen announced a Proposal for the Unified Control and Operation of Erie R. R., Chesapeake & Ohio Ry., Hocking Valley Ry., Pere Marquette Ry., and New York, Chicago & St. Louis R. R. Organization of a New Company was proposed, to lease the properties of these companies, and, except in the case of the "Nickel Plate," to offer to exchange its stocks for stocks of the various companies. For details, see under New York, Chicago & St. Louis R. R.

Erie R. R. stockholders were to receive for each 100 shares first or second preferred stock 50 shares of New Company 6% cumulative preferred stock, and for each 100 shares common stock 40 shares of New Company common stock, upon which it was expected to pay 6% dividends.

Holders of the Erie R. R. General Mortgage Convertible bonds Series D were to be entitled prior to expiration of the conversion right (October 1, 1927) to convert their bonds into New Company common stock at the rate of 8 shares per \$1,000 par value.

Under the terms of the lease, as alternatives to exchange of stocks, stockholders were to be entitled to (1) receive a cash payment equal to average market price for six months prior to approval of the lease by lessee, or price as fixed by appraisal, or (2) retain holdings and receive dividends paid as part of rental, the Erie R. R. Co. to receive funds equal to 3% on the preferred stocks and 2.4% on the common stock (varying as the New Company paid more or less than 6% on its own stocks) and to pay dividends in order of priority, that is, up to 4% on first preferred, then up to 4% on second preferred, and balance if any on common stock.

In August, 1924, the board of directors of Erie R. R. passed a resolution recommending that stockholders accept the Van Sweringen proposal, deposit stock and give proxy to a committee formed to carry the plan into effect. As sufficient stock of the five companies had been deposited the plan was declared operative January 29, 1925. At a special meeting March 25, 1925, Erie stockholders approved the lease.

In March, 1926, the Interstate Commerce Commission disapproved the Nickel Plate plan. Stock deposited under agreement was thereupon released.

APPROPRIATIONS OF INCOME

Appropriations for improvements, additions, etc., were made from income prior to change in accounting regulations as follows:

Year 1901-2.....	\$1,257,857	Year 1904-5.....	\$1,360,555
Year 1902-3.....	2,377,856	Year 1905-6.....	1,926,973
Year 1903-4.....	1,540,320	Year 1906-7.....	1,642,029

Of the amount shown above for 1901-2, \$1,008,356 was included in operating expenses. The 1902 annual report stated that the practice of including expenditures for additions and betterments in operating expenses was discontinued. Sinking fund payments were, previous to 1912-13, included in fixed charges.

EXPENDITURES CHARGED TO CAPITAL

From December 1, 1895, to *December 31, 1914*, \$53,266,458 had been expended for improvements and additions, and \$88,968,565 expended for new equipment and charged to capital account.

From December 1, 1895, to *December 31, 1917*, the Erie R. R. received \$52,777,663 cash from all sources for construction and equipment purposes as follows:

Cash turned over by the Erie Reorganization Committee..	\$4,343,850
Cash from sale of securities turned over by Committee..	2,973,199
Cash from sale of \$5,000,000 Prior Lien bonds.....	4,539,884
Cash from sale of \$3,000,000 General Lien bonds.....	2,484,111
Cash from sale of \$40,642,100 Convertible bonds.....	35,898,035
Cash from other sources	2,538,584
Total.....	<u>\$52,777,663</u>

From December 1, 1895, to *December 31, 1917*, the company expended from its current cash for liquidating the receivership of the N. Y., L. E. & W. R. R. Co. and for construction and equipment purposes the sum of \$54,663,312, for which it was entitled to be reimbursed from the sale of securities pledged as collateral for various General Lien bonds, reserved by the provisions of the mortgage for construction purposes.

CONVERTIBLE BONDS.

Prior to 1915, the company had sold all except \$985,000 of \$22,000,000 Series A and B 4% Convertible 50-year bonds issued of \$50,000,000 authorized amount. In 1903 \$10,000,000 Series A were issued for improvements and equipment, convertible to April 1, 1915, into common stock at \$50 per share. In October, 1905, stockholders were offered the right to subscribe pro rata at par for \$12,000,000 Series B bonds, convertible into common stock at \$60 per share to October 1, 1917, proceeds being applied to improvement work. None of the bonds of either series were converted; \$985,000 Series B bonds were held free in the treasury at the close of 1927.

In 1916 the Erie R. R. sold \$19,627,100 General Mortgage Series D 4% Convertible bonds, secured by the General Mortgage of 1903, due 1953, and, at the option of the holder, convertible into common stock at \$50 per share (i. e., \$200 par value of stock for \$100 par value of bonds) before October 1, 1927. The bonds were offered for subscription at 85 to the stockholders of all classes and also to holders of outstanding General Mortgage Convertible bonds, Series B, theretofore issued under the General Mortgage. Proceeds were used (a) \$10,000,000 in retirement of the 5% notes of the Erie R. R. which matured 1916, (b) about \$2,000,000 to complete the double-tracking and grade reduction on a stretch of about 35 miles on the Chicago & Erie Division, and to increase terminal facilities, and (c) to provide in part for the retirement of 5½% notes due April 1, 1917.

All excepting \$309,700 of the Series D bonds were converted prior to expiration of the privilege on October 1, 1927. These

were outstanding at the close of 1927 and \$8,372,900 were held free in the treasury.

COLLATERAL NOTES.

Under date of April 1, 1915, \$10,000,000 one-year 5% collateral notes were sold. These were retired (after a renewal) with a portion of the proceeds of the 4% Convertible Series D bonds.

On April 8, 1914, the Erie R. R. issued \$13,500,000 5½% notes due April 1, 1917. This issue was retired at maturity through the sale of \$15,000,000 two-year 5% notes, due April 1, 1919, which were extended at 6% to April 1, 1922. In March, 1922, \$5,000,000 Consolidated Mortgage 7% bonds were sold, proceeds from which paid off \$2,247,000 of the April 1 notes held by the public and \$2,253,000 of the notes held by the War Finance Corp.

The remaining \$10,000,000, all held by the War Finance Corp., were extended one year at 6%. On April 1, 1923, these became due on demand. As result of a final settlement for the period of federal control, the Erie R. R. in 1923 received from the Government \$5,475,000 cash, \$5,000,000 of which was applied in reduction of the \$10,000,000 notes held by the War Finance Corp. In 1924, \$10,000,000 two-year 5% secured notes (due July 1, 1926) were sold to bankers and with a part of the proceeds the \$5,000,000 note held by the War Finance Corp. was paid. In 1926 the 4½% notes were refunded for two years but were redeemed at 100½ on July 1, 1927, with a portion of the proceeds from \$50,000,000 new Refunding and Improvement 5% bonds.

In 1920 an \$8,000,000 note (6% due 1930) was issued to the Government in connection with the extension until 1930 of \$16,891,000 (\$6,185,000 then owned and pledged) Erie Ry. First Consolidated Mortgage 7s, \$2,926,000 New York & Erie R. R. Fourth Mortgage 5s, and \$3,699,500 (\$1,683,000 then pledged) New York, Lake Erie & Western R. R. First Consolidated 7s.

INCREASE IN BONDS FROM 1900.

Increase in the outstanding funded debt of Erie R. R. from June 30, 1900 to December 31, 1927, is accounted for approximately as follows:

	Outstanding June 30, 1900	Outstanding Dec. 31, 1927	Increase
Prior Lien 4%	\$32,452,000	\$35,000,000	\$2,548,000
General Lien 4%	32,954,000	*35,885,000	2,931,000
Convertible 4%	None	†21,324,700	40,642,100
Pennsylvania Coll. 4%...	None	†12,256,000	13,547,000
Ref. & Imp. 5%.....	None	\$50,000,000	30,299,450
Erie & Jersey 6%, and Genesee River 6%....	None	12,640,000	12,640,000
Net increase in debt (approx.).....			\$103,000,000

**Does not include \$19,219,000 bonds owned and unpledged. The*

Prior Lien and the General Lien bonds have voting power—ten votes for each \$1,000 bond.

†Conversion privileges expired. Does not include \$9,357,900 owned unpledged. During 1927, \$19,317,400 Series D bonds were converted into \$38,634,800 stock.

‡Does not include \$21,744,000 bonds retired by sinking fund.

§Sold in 1927; \$32,919,450 notes and about \$1,000,000 other obligations retired with the proceeds.

EQUIPMENT TRUSTS.

A large part of the expenditures for new equipment has been financed by the sale of equipment trust certificates.

Amount of trusts outstanding on June 30, 1900.....	\$4,652,284
New trusts created during 27½ years to December 31, 1927.....	91,447,376
	<u>\$96,099,660</u>
Aggregate payments made on all trusts during 27½ years	<u>\$71,875,860</u>
Equipment trusts outstanding December 31, 1927.....	\$24,223,800

NOTE.—On June 30, 1896, \$6,032,694 equipment trusts were outstanding.

CAPITALIZATION.

The mileage now owned in fee by the Erie R. R. is subject in the first instance to the liens of a number of "old underlying mortgages," the first of which was executed in 1849, and under which \$32,367,400 bonds were outstanding in 1927. The first system mortgage is the Consolidated Mortgage Deed, dated December 10, 1895, under which \$35,000,000 Prior Lien 4s due 1996 and \$35,885,000 General Lien 4s due 1996 are outstanding, the latter being junior in lien to the former. Following is the General Mortgage securing the Series A, B and D Convertible 4s due 1953. The Refunding and Improvement Mortgage then follows. In addition at the close of 1927, \$24,223,800 equipment trust obligations and approximately \$36,000,000 bonds and stocks of leased lines outstanding in the hands of the public.

RECENT FINANCING.

In December, 1916, a Refunding and Improvement Mortgage was authorized but no bonds were sold until 1927.

In May, 1927, \$50,000,000 Refunding and Improvement 5% bonds, Series of 1927, due 1967, were sold at 91½ to bankers. Proceeds were used in part to retire \$20,299,450 6% notes held by the Government, \$10,000,000 4½% notes redeemed at 100½ on

July 1, 1927, \$2,620,000 bank loans, and approximately \$1,000,000 of short term mortgages and other obligations. Annual interest charges were increased less than \$715,000 by the operation. This increase it was expected would be considerably more than offset by earnings from additions and betterments made with the balance of the proceeds. A supplemental indenture to the mortgage under date of May 1, 1927, provides that, following the maturity in 1934 of the Pennsylvania Collateral bonds, the sinking fund of 10 cents per ton of coal mined by Pennsylvania Coal Co. will be continued for the Refunding and Improvement Mortgage bonds so long as the Coal Co. stock remains pledged. Such sinking fund payments averaged \$437,061 annually 1923 to 1926. The funds so received by the trustee are payable to the company to be used for the retirement of prior debt, or bonds issued under the mortgage, for acquisition of property, or for additions to the property mortgaged in respect of which no bonds would be subsequently issuable. An amendment to the mortgage limits the issuance of bonds to an amount which including prior debt outstanding shall never exceed three times the capital stock outstanding.

In March, 1923, \$4,617,000 New York & Erie R. R. Third Mortgage 4½s matured. The company offered to pay holders \$42.50 per \$1,000 bond in consideration of extension of maturity to 1933. The extension was underwritten.

In February, 1915, the Erie R. R. sold \$7,400,000 Erie & Jersey R. R. First Mortgage 6% bonds due July 1, 1955, and \$6,000,000 Genesee River R. R. First Mortgage 6% bonds due July 1, 1957. Each issue of bonds is subject to call as a whole or in part at 115, and each issue established a cumulative sinking fund in 1916. The proceeds from the sale of these bonds were mostly used to retire \$13,050,000 notes issued to cover cost of construction of the Genesee River and Erie & Jersey cut-offs. The Genesee River R. R. (which was merged into the Erie R. R. system) operated 32.66 miles of road between Cuba Jc. and Hunts Jc., N. Y., a section of the Erie R. R. main line New York to Chicago. The ruling grade is 0.2% eastbound (excepting 17 miles) and 0.3% westbound (excepting 4 miles) as compared with grades of 0.8% eastbound and 1.0% westbound on the old main line. The saving of time by use of the Genesee River cut-off was 1 hour and 54 minutes eastbound and 1 hour and 58 minutes westbound. The traffic density of this line in 1913 was about 5,550,000 ton-miles. The Erie & Jersey R. R. (also merged) operated 38.6 miles of road from Highland Mills to Graham, N. Y., practically a water level route, double-tracked throughout and carrying the freight traffic of the New York division.

COAL PROPERTIES.

Erie R. R. owns entire \$5,000,000 capital stock of Pennsylvania Coal Co. (book value, \$34,258,526) and entire \$1,000,000 capital

stock of Hillside Coal & Iron Co., and \$500,000 capital stock of the Northwestern Mining & Exchange (book value of two latter, par).

To date, the earnings of the two anthracite companies (Pennsylvania and Hillside), after deductions for depletion, depreciation, etc., and the dividend payments, have been as follows:

Years Ending	Net Earnings	Dividends
Dec. 31, 1927.....		\$4,000,000
“ 1926.....	\$5,135,853	5,600,000
“ 1925.....	772,261	2,550,000
“ 1924.....	3,182,979	4,400,000
“ 1923.....	7,241,544	7,975,000
“ 1922.....	2,284,184	10,300,000
“ 1921.....	6,125,707	8,900,000
“ 1920.....	6,463,471	3,650,000
“ 1919.....	6,968,467	3,500,000
“ 1918.....	5,269,893	4,600,000
“ 1917.....	6,387,018	6,550,000
“ 1916.....	4,053,612	1,800,000
Six Mos., 1915.....	1,765,786	.....
June 30, 1915.....	2,693,965	500,000
“ 1914.....	3,358,627	500,000
“ 1913.....	3,877,633	2,450,000
“ 1912.....	3,087,766	1,500,000
“ 1911.....	2,904,666	1,500,000
“ 1910.....	2,247,349	1,958,497
“ 1909.....	1,854,111	1,034,572
“ 1908.....	1,470,748	1,647,118
“ 1907.....	1,477,686	1,619,169
“ 1906.....	1,520,978	1,562,636
“ 1905.....	2,096,813	2,275,847
“ 1904.....	1,909,715	2,161,142
“ 1903.....	2,430,057	2,248,541
“ 1902.....	1,605,654	1,380,539
Totals to and including 1926..	\$88,186,543	\$82,163,061

The earnings of the Hillside Coal & Iron Co. alone in the five years 1917 to 1921 ranged between \$1,022,795 and \$1,533,074 annually. A total of \$10,625,000 dividends has been received from this company, payments beginning in the 1915-1916 year and continuing annually.

From the Northwestern Mining & Exchange Co. dividends have been received as follows: \$100,000 in 1925, \$125,000 in 1924, \$100,000 in 1923, \$350,000 in 1922, and \$100,000 in 1921.

According to official statement in 1927, the average annual net earnings of the Pennsylvania Coal Co. for ten years to December 31, 1926, were \$4,130,575 after deduction for depreciation and depletion. There were strikes in 1922 and 1925 resulting in loss of earnings.

The anthracite tonnage produced by Pennsylvania Coal Co. and Hillside Coal & Iron Co. has averaged about 6,000,000 tons in recent years. Some years ago the Pennsylvania and Hillside properties were estimated to contain between 120,000,000 and 130,000,000 tons of unmined coal.

In the hearing in 1925 before the Interstate Commerce Commission in regard to lease of Erie R. R. evidence included estimates of the values of coal company investments, as follows: Pennsylvania Coal Co., \$61,395,912; Hillside Coal & Iron Co., \$11,974,739; N. Y., Susquehanna & Western Coal Co., \$1,898,511; total anthracite companies, \$75,269,162; Northwestern Mining & Exchange Co., \$7,421,646; Blossburg Coal Co., \$1,200,113; grand total, \$83,890,921.

Of tonnage handled by Erie R. R. in 1927, 21.3% was anthracite (21.8% in 1926, 17.2% in 1925, 23.3% in 1924, 22.9% in 1923, 16.8% in 1922, 28.8% in 1921) and 19.7% was bituminous coal (19.0% in 1926, 19.4% in 1925, 19.4% in 1924, 22.9% in 1923, 21.5% in 1922, 20.1% in 1921).

The Erie R. R. owns practically all of the stock of the New York, Susquehanna & Western R. R. Co. (operated separately). This road has a direct line for coal traffic from the Wilkes-Barre district to Undercliff (Edgewater) on the Hudson River where terminal facilities are owned.

RAIL STATEMENT.

Weight of rail in owned main track (including Chicago & Erie R. R., 3,407 miles, including second and additional track) on December 31, 1927, was as follows:

337 miles of 110-pound rail,	134 miles of 80-pound-rail,
2,231 " " 100- " "	6 " " 74- " "
682 " " 90- " "	17 " " 60-63- " "

GENERAL.

The balance sheet of December 31, 1927, showed Current Assets \$38,981,384 (including \$8,512,975 Material and Supplies and \$7,353,868 due from the N. Y., S. & W. R. R. and the N. J. & N. Y. R. R.) and Current Liabilities (including \$209,000 Loans and Bills Payable) \$17,012,656. There was a Corporate Surplus of \$59,538,312 (in 1926, \$97,141,413) including \$29,628,767 credit to Profit and Loss.

Debits to Profit and Loss account in 1927 included: \$19,317,400 for discount on stock issued in bond conversion, \$4,411,103 for discount on funded debt, \$12,417,748 for delayed charges to income (mostly in connection with retirement of equipment and increase of balances in depreciation reserves), and \$3,469,537 for loss on retired road and equipment.

PROPERTY IMPROVEMENT.

In 26½ years from July 1, 1901 to December 31, 1927, the Erie R. R. had \$135,087,771 net income of which \$11,097,942 was paid in dividends, \$20,116,637 applied to sinking funds, and the remaining \$103,873,192 used for additions and improvements.

Between June 30, 1907 and December 31, 1927, the net investment in road and equipment (without deducting accrued depreciation on equipment) increased by over \$147,000,000, whereas the company's funded debt, including equipment trust certificates, increased by less than \$39,000,000, there being meanwhile approximately \$100,500,000 net income.

In this period, the second track mileage was increased from 803 to 1,363 miles and side tracks from 1,628 to 2,070 miles, the average weight of rail in main line from 86 to over 99 pounds, the total tractive power of locomotives by about 30%, and the total capacity of freight cars by about 10%.

The gains in traffic and efficiency are indicated by the following comparisons:

	1907	1927	Increase
Ton miles of revenue freight (thousands)	6,275,630	10,161,506	61.9%
Ton miles per mile of road.....	2,917,626	4,384,332	50.3
Average haul (miles).....	160	217	35.6
Freight train miles.....	13,306,592	11,554,685	*13.2
Average train load (tons).....	472	872	84.7

*Decrease.

FONDA, JOHNSTOWN & GLOVERSVILLE R. R.

See Table, page 83.

The preferred stock is entitled to 6% cumulative dividends and is subject to call at 105. The authorized amount is \$1,000,000, of which \$500,000 is outstanding. An initial dividend at the 6% rate was paid June 15, 1909, and has since been maintained (quarterly, March). The company applied for authority to issue \$235,500 preferred stock to reimburse its treasury for an equal amount of capital expenditures, 1917 to 1922.

Dividends on the common stock were paid as follows (annually in July) :

'99 to '01	'02	'03 to '09	• '10 to '13
8% yearly	4%	None	2% yearly

No dividends have since been paid.

Forty-two miles of track are operated by steam, and the other 86 miles by electricity.

Increases in fares on the electric lines from 8 to 10 cents, or in case of tickets from 4 for 30 cents to 3 for 25 cents, on city lines,

and elsewhere increases of 16⅓% to 25% in fares, were granted by the Public Service Commission in November, 1926.

The bonds of this company consist of the following issues:

	Due	Authorized	Outstanding
1st Consol. Rfd'g Mtge. 4½%..	1947	\$500,000	\$500,000
50-year General Rfd'g 4%	1950	800,000	800,000
1st Consol. Gen'l Rfd'g 4½%...	1952	7,000,000	5,700,000
		<u>\$8,300,000</u>	<u>\$7,000,000</u>

The company sold \$250,000 First Consolidated General Refunding 4½% bonds in 1922-1923 and \$300,000 in 1924. The last previous sale of bonds was in 1911. From 1911 to 1927, \$550,000 6% prior lien bonds were paid off (1922), while \$909,285 additions to property and equipment were paid with surplus earnings.

State plans for construction of a reservoir and storage dam near Conklingville, N. Y., involved condemnation of portions of the company's right of way and about 150 acres of Sacandaga Park which it owns. The company claimed \$3,719,944 damages, but was allowed proof only in the sum of \$2,813,203, and in February, 1927, an award of \$1,522,902 was filed. Acceptance was opposed by the company. Plans were made for relocating and reconstructing parts of the line.

On December 31, 1927, Current Assets were \$245,870, including \$121,575 Materials and Supplies, and Current Liabilities were \$524,670, including \$248,000 Loans and Bills Payable.

Credit balance to Profit and Loss was \$399,201. Unextinguished Discount on Funded Debt amounted to \$146,860.

LEHIGH & HUDSON RIVER RY.

See Table, page 84.

An initial dividend of 4% was paid on the stock of this company in 1912. In 1913, and in 1914, 4% each was paid. In 1915, 8% was paid. In 1916, 8% regular was paid and 6% extra, a total of 14%. In 1917, 1918 and 1919, 12% was paid, 6% each June and December. For 1920-21 see later paragraph. In 1922 8% was paid; in 1923, 1924, and 1925, 10%; and in 1926 and 1927, 12%.

On December 11, 1917, an increase in stock to \$1,720,000 was authorized and a stock dividend of 28.36% was declared to stockholders of record of that date.

On July 1, 1920, \$2,589,000 General Mortgage bonds and \$400,000 Debenture bonds matured, and were met by proceeds of sale at par of an equal amount of stock subscribed for by stockholders to the extent of 173.7% of holdings. On June 30, 1921, a dividend of 6% was paid on this new stock for the period of a year from date of issue. At the same time 4% was paid on the stock previously outstanding, and in December, 1921, 4% on the increased capital stock.

In 1920, a dividend of 6% was paid for the first half year. The dividend for the second half was deferred and paid in March, 1921.

Ownership of the stock is as follows: Delaware, Lackawanna & Western R. R., \$961,400; Lehigh Coal & Navigation Co., \$936,400; Central R. R. of New Jersey, \$787,000; Reading Co., \$631,200; Lehigh Valley R. R., \$572,800; Erie R. R., \$572,900; and Pennsylvania R. R., \$209,400. Stock originally owned by Erie R. R., Pennsylvania R. R., Lehigh Valley R. R. and "Lackawanna" was acquired by these companies in 1904, at a cost of \$76 per share.

In 1927, tons of freight carried one mile were 426,304,000, as against 433,745,000 in 1926, 373,223,000 in 1925, 380,842,000 in 1924, 371,658,000 in 1923, 251,441,000 in 1922, 321,459,650 in 1921, 111,986,219 in 1907-8 and 45,207,819 tons one mile in 1904-5. The total tonnage handled in 1927 was 5,853,342 against 6,026,279 in 1926, 5,198,739 in 1925, 5,439,312 in 1924, 5,336,579 in 1923, 3,621,978 in 1922, 4,639,163 in 1921, 5,643,455 in 1915-1916, and 905,377 tons handled in 1904-5. About one-half of tonnage is coal divided equally between bituminous and anthracite.

Of 75 miles owned and operated, 73 miles are laid with 100-pound rail. The line extends from a connection with Central R. R. of New Jersey and Lehigh Valley at Easton, Pa., to a connection with the New Haven at Maybrook.

Current Assets as of December 31, 1927, were \$842,732, including \$195,987 Material and Supplies, and Current Liabilities were \$343,388. Credit balance to Profit and Loss was \$2,408,974.

LEHIGH & NEW ENGLAND R. R.

See Table, page 85.

All of the stock of this company except directors' shares is owned by the Lehigh Coal & Navigation Co. Par value is \$50. Dividends have been paid as follows:

	'13	'14	'15	'16	'17	'18-'19	'20	'21-'22	'23	'24	'25	'26	'27
Per cent.	4	8	11	10	10	8	6	10	3	15	10	20	13

Lease of the property for 999 years beginning 1927 to Reading Co. at a rental of \$1,069,000 above all charges, equal to approximately 15.72% on the stock, was negotiated in 1926, but in March 1927, the Interstate Commerce Commission refused to approve the lease.

In 1908, \$7,500,000 General Mortgage 4% bonds due 1953 were authorized. In 1912-13, the total outstanding amount of \$2,885,000 bonds, together with \$529,000 bonds held in the treasury, were retired and cancelled, and the mortgage satisfied. To finance the purchase of these bonds \$3,145,000 stock was sold at par. In 1917, \$300,000 and in 1920, \$500,000 additional stock was sold at par for working capital.

In 1914, \$15,000,000 General Mortgage bonds were authorized. Series A 5% bonds due 1954 in amount of \$4,000,000 were issued

for retirement prior to 1915 of all prior lien bonds excepting \$1,000,000 First 5s and for other purposes. In July, 1924, \$2,000,000 Series B bonds were authorized of which \$1,250,000 were sold privately. In May 1927, the company sold at 102 to bankers \$750,000 bonds held in the treasury.

A tentative valuation of \$11,791,083 as of June 30, 1919, was placed on the transportation property of the company by the Interstate Commerce Commission in July, 1924.

The Lehigh & New England R. R. uses the tracks of the New York, Susquehanna & Western R. R. from Hainesburg Jc., N. J., near the Pennsylvania State Line, to Swartswood Jc., 18½ miles, whence the Lehigh & New England uses its own rails 21 miles to the New York State Line. Trackage rights are held over the Erie R. R. line from Pine Island Jc., N. Y., to Campbell Hall, N. Y. (17 miles), affording through connection with points in New England and on the Hudson River.

Of 8,473,248 tons of freight transported in 1927, 3,427,619 tons were anthracite, 1,900,508 bituminous coal, and 1,841,037 tons cement. Cement tonnage and revenues therefrom were largest in the company's history.

As of December 31, 1927, Current Assets were \$1,189,526 (including \$428,665 Material and Supplies) and Current Liabilities were \$781,836. Credit balance to Profit and Loss was \$2,707,878 and total Corporate Surplus \$2,749,320.

LEHIGH VALLEY R. R.

See Table, page 86.

The following dividends have been paid on both classes of stock since 1906:

	1906	1907-10	*1911-18	1919	1920-25	†1926	1927
Pfd. (\$50 par)...	10%	10%	10%	10%	10%	10%	10%
Com. (\$50 par)...	4%	6%	10%	8½%	7%	10%	7%

*An extra dividend of 10% was paid from accumulated surplus February, 1912. Stockholders were given the privilege of subscribing at par for stock of the Lehigh Valley Coal Sales Co. to an amount equal to this dividend received.

†Including 3% (\$1.50) extra dividend paid January 3, 1927. The company stated that this extra was the result of a year of exceptional prosperity and the total payment of 10% (\$5) was not permanently established.

STOCK HELD BY OTHER COMPANIES.

Stock of the Lehigh Valley R. R. of a par value of \$15,226,950 was bought in 1927 at a cost of \$72.51 average per share by Delaware & Hudson Co. In April, 1928, it was announced that D. & H. had sold

its holdings of Lehigh Valley R. R. and Wabash Ry. stocks to a Pennsylvania R. R. subsidiary. During 1927, Wabash Ry. purchased \$11,565,950 stock of Lehigh Valley R. R. at an average \$100.43 per share cost. According to a statement to the Interstate Commerce Commission in July, 1928, the Pennsylvania Co. then owned \$18,251,950 Lehigh Valley stock and \$36,290,000 common and \$31,290,000 preferred A Wabash stock.

A subsidiary of the New York Central R. R. at December 31, 1927, owned \$2,500,000 stock of Lehigh Valley R. R. which cost \$3,829,637 or about \$76.59 per share. At the close of 1926 this company held \$5,000,000 stock at average cost of about \$66.87 per share.

SEGREGATION OF COAL PROPERTIES.

The United States Supreme Court, December 6, 1920, held Lehigh Valley R. R., Lehigh Valley Coal Co., Coxe Bros. & Co., Inc., and the Delaware, Susquehanna and Schuylkill R. R. to be a combination in violation of the Anti-Trust Act.

On October 5, 1921, a plan was filed providing for payment of a dividend to the railroad by the Lehigh Valley Coal Co. of \$30,000,000 in 7% non-cumulative, non-voting preferred stock; the \$9,465,000 common stock of the Coal Co. owned by Lehigh Valley R. R. to be conveyed to a trustee who was to issue 242,432 certificates of interest to Railroad stockholders in the ratio of one certificate for each five shares of R. R. stock. Upon maturity of the General Consolidated Mortgage bonds in 2003 the Lehigh Valley Coal Co. stock would have been distributed pro-rata to holders of the certificates of interest. Voting power in the \$2,910,150 stock of Coxe Bros. & Co., Inc., was to be assigned to a trustee appointed by the court until maturity (February 1, 1926) of the collateral trust agreement under which it was pledged. The stock was then to be sold for benefit of the railroad. The \$1,500,000 stock of the Delaware, Susquehanna & Schuylkill R. R., similarly pledged, was to be likewise disposed of, except that the railroad proposed to apply to the Interstate Commerce Commission for authority to consolidate the property under provision of the Transportation Act, 1920. The plan left the Lehigh Valley Coal Sales Co. free to negotiate a new contract with the mining companies.

The Government filed objections to the plan, alleging in substance (1) that distribution of certificates of interest in the Coal Co. stock to Railroad Co. stockholders would not result in independent ownership, etc., and would be contrary to precedent established in Union Pacific-Southern Pacific separation; (2) that the proposed trusteeship of Coxe Bros. & Co. stock merely postponed final disposition of this equity (but if the proposal proved satisfactory to the District Court the Government would withdraw this objection); that the same was true with regard to stock of the Delaware, Susquehanna & Schuylkill R. R.

FINAL SEGREGATION TERMS.

To meet these objections, the company on February 7, 1923, filed an amended plan which on March 3 was approved by the District Court.

This final plan provided for creation by Lehigh Valley Coal Co. of a \$40,000,000 50-year sinking fund 5% mortgage bond issue, of which \$15,000,000 should be immediately sold and proceeds paid over to the Railroad in satisfaction of all indebtedness, proceeds to be used by the Railroad for improvement of properties pledged under the General Consolidated Mortgage, although income from the fund is free for general corporate purposes. Remaining \$25,000,000 bonds are reserved for refunding Coal Co. bonds at maturity, 1933. Through sinking fund operation it was estimated that of \$11,514,000 bonds outstanding in 1923 only \$6,500,000 would then remain to be retired. In February, 1924, the Coal Co. sold \$15,000,000 bonds due \$3,000,000 each ten years beginning February 1, 1934. In accordance with the segregation plan, the \$14,968,925 proceeds were delivered to Lehigh Valley R. R.

There were issued certificates of interest in the Coal Co. stock, which was trusted as in the original plan. Holders of Railroad common and preferred stock of record March 15, 1924, received the right to subscribe to one certificate of interest at \$1 for each share of railroad stock owned (total, 1,212,160 certificates of interest issued). Subscription right expired on June 16, 1924.

The certificates are entitled to pro-rata dividends, subject, however, to the General Consolidated Mortgage. Provision was made that dividends will be withheld until the owner files affidavit of non-ownership of railroad stock. Railroad stockholders subscribing to Coal Co. certificates of interest are required to dispose of either their Railroad stock or Coal Co. certificates prior to 1928. Neither the Railroad nor Coal Co. prior to 1928 will permit transfers of their respective shares unless proposed transferee makes affidavit of non-ownership of shares in the other. The certificates are entitled to voting power after 85% of holders have filed affidavits of non-ownership of railroad stock. The Coal Co. paid a dividend of \$1.25 on certificates of interest January 31, 1925, and a like dividend on August 1. A similar dividend was paid in August, 1926. A dividend of \$1.25 with an extra of 25 cents was paid February 1, 1927, and semi-annual dividends of \$1.25 were continued. In July, 1928, the merger of the Coal Co. with the Coal Sales Co. was proposed.

Stocks in Coxe Bros. & Co. and Delaware, Susquehanna & Schuylkill R. R. were treated as outlined in the original plan, and, as that plan provided, the mining companies have negotiated a new contract with Lehigh Valley Coal Sales Co. In March, 1924, Lehigh Valley was authorized to lease the D. S. & S. R. R.

STOCK PREVIOUSLY OWNED BY OTHER COMPANIES.

In 1901 representatives of the Erie R. R., Lackawanna, Central R. R. of N. J., Reading Co., and the Lake Shore & Michigan Southern Ry. acquired interests in the Lehigh Valley R. R. During following years these holdings were disposed of by the various railroads mentioned. The companies which owned Lehigh Valley R. R. stock realized large profits from its sale.

COXE BROS. & CO., INC.

In 1905, the Lehigh Valley R. R. completed the purchase of the Coxe interests, including Coxe Bros. & Co., Inc., the Delaware, Susquehanna & Schuylkill R. R. (77 miles), and allied water companies. Coxe Bros. & Co., Inc., were the largest "independent" operators in the anthracite field, annual capacity exceeding 2,000,000 tons. In payment for these properties there were issued \$19,000,000 4% collateral trust bonds. The final \$500,000 semi-annual installment was paid February 1, 1926. Upon retirement of this final installment, the sale of the stock of Coxe Bros. & Co. was required by terms of the segregation plan. The sale was still pending in 1928.

Dividends received from Coxe Bros. & Co., Inc., were \$97,603 in 1927, \$1,517,365 in 1926, \$934,474 in 1925, \$1,337,969 in 1924, \$1,466,854 in 1923, \$698,161 in 1922, \$2,425,481 in 1921, \$2,663,789 in 1920, \$263,080 in 1919, \$292,970 in 1918, and \$714,025 in 1917.

BONDS.

In August, 1924 \$12,000,000 General Consolidated Mortgage 5% bonds were sold, and proceeds were applied toward redemption on September 1, 1924, at 103, of \$15,000,000 collateral trust 6s due 1928. At December 31, 1927, \$59,650,000 General Consolidated 4, 4½ and 5% bonds were outstanding; also \$38,086,000 owned, all unpledged. No further General Consolidated Mortgage bonds can be issued except for refunding. Since September 30, 1903, the date of this mortgage, the company to the close of 1927 had made approximately \$75,000,000 capital expenditures against which no securities had been issued.

The amount of bonds and guaranteed stocks of the Lehigh Valley system outstanding in the hands of the public as of December 31, 1927, was \$125,989,000 (average interest 1927, 4.62%) as against \$130,761,300 June 30, 1909. There were no equipment obligations outstanding.

CLAREMONT FREIGHT TERMINAL.

Lehigh Valley R. R. leases the property of the Harbor Terminal Railway Co., which was incorporated in 1916. The Company has acquired 535 acres at Claremont on New York Bay in the Greenville section of Jersey City. One unit, consisting of a pier, docks, warehouse, machinery, etc., has been completed. Two more to be

constructed as traffic warrants, will give docking facilities extending $5\frac{1}{2}$ miles and capable of caring for the largest ships. To repay Lehigh Valley R. R. in part for advances, \$10,000,000 First Mortgage 5% bonds due 1954 were sold in January, 1924. Authorized amount is \$30,000,000, balance issuable for refunding outstanding First Mortgage bonds or for not in excess of 80% of cost or fair value (whichever is less) of additions and betterments made subsequent to June 30, 1923. Principal and interest are unconditionally guaranteed by Lehigh Valley R. R.

CAPITAL STOCK SOLD IN 1910.

In 1910 an increase in the common stock from \$40,334,800 to \$80,000,000 was authorized, \$20,220,550 of this stock was offered to stockholders at par (\$50) in the proportion of one share of new stock to two shares of old stock. The cash was used to pay off \$6,000,000 maturing 7% bonds, for the retirement of other obligations, and for additions, betterments, new equipment, etc.

From September 1, 1910, the date on which the stock was issued, to June 30, 1916, the company retired \$20,114,538 bonds, etc., and expended \$36,396,990 for additions, equipment, property, etc. These two amounts represent a total of approximately \$16,808,083 in excess of the proceeds (\$39,703,445) derived from the sale of the above mentioned stock and \$19,536,545 $4\frac{1}{2}$ % bonds sold in 1913 and 1916.

LEHIGH VALLEY COAL SALES CO.

Lehigh Valley Coal Co. in 1912 organized Lehigh Valley Coal Sales Co. with an authorized capital stock of \$10,000,000, of which \$6,060,800 was issued immediately, sold at par to stockholders of Lehigh Valley R. R. to the extent of 10% of holdings of R. R. Co. stock. In February, 1912, Lehigh Valley R. R. paid a cash dividend of 10% applicable to subscription to Sales Co. stock. The Coal Co. entered into a contract with the Sales Co.

From October, 1912 to April, 1917, \$5 (10%) dividends were paid on the stock (\$50 par) of the Lehigh Valley Coal Sales Co. The Coal Sales Co. in January, 1914, paid an extra cash dividend of 25%, stockholders subscribing at par to new stock to the extent of 25% of holdings. From July, 1917, to and including October, 1927, the regular rate was \$8 (16%). With the January, 1928, payment the dividend was reduced to \$4 rate. A 30% dividend was paid in July, 1917, to enable stockholders to subscribe to 30% new stock. Extra dividends of \$5 in May, 1918, and \$2.50 in June, 1919, were also paid, in Liberty bonds.

In July, 1928, the merger of the Coal Sales Co. with the Coal Co. was proposed, by exchange of stock for new company stock.

VALUATION.

A valuation as of June 30, 1917, of \$200,618,202 for total used carrier property of the system was announced in May, 1926. In-

cluding the Claremont Terminal property and other additions and betterments to the end of 1925 the valuation would approximate \$233,000,000 to which should be added about \$25,000,000 non-carrier property. Allowing for \$126,000,000 funded debt the indicated equity for \$60,800,000 common stock was then approximately \$132,000,000 on this basis. The company made formal protest to the valuation.

GENERAL.

Coal and coke traffic contributed in 1915-16 about 40% of the gross earnings and 53% of the total tonnage carried; in 1917 38% and 53%; in 1921 40% and 55%; in 1922 28% and 43%; in 1923 38% and 53%; in 1924 32% and 47%; in 1925 26% and 39%; in 1926 31% and 47%; and in 1927 28% and 44%.

From Lehigh Valley Coal Co., which was segregated in 1924, the L. V. R. R. Co. received dividends of \$643,057 in 1924, \$6,892,055 in 1923, \$1,963,785 in 1922, \$6,830,841 in 1921, \$12,720,089 in 1920, \$802,474 in 1919, \$2,029,650 in 1918, and \$2,397,777 in 1917. For ten years ending 1923 dividends averaged \$3,253,002 annually.

At the end of 1927, 85.8% of Lehigh Valley R. R. main line from Jersey City to Buffalo was laid with 136-pound rail, the heaviest used by any railroad. Ties in all tracks were 78% creosoted.

Automatic train control had been installed on 658 miles of main line at the close of 1927.

During 1928, the company expected to complete a double track tunnel, 4,850 feet long, through Musconetcong Mountain, which would provide ample clearance for the largest locomotives and cars.

Owned main tracks, December 31, 1927, contained:

846 miles of 136-pound rail,	89 miles of 80-pound rail,
94 " " 110- " "	93 " " 76- " "
584 " " 100- " "	18 " " 66-67- " "
320 " " 90- " "	9 " " 56-60- " "

Contracts have been made with motor truck operators for handling freight over several routes with material savings resulting by elimination of steam trains. In 1925 these motor trucks carried 6,544 tons of freight 41,686 miles.

Current Assets of the Lehigh Valley R. R. as of December 31, 1927, were \$14,536,645 (including \$6,523,267 Material and Supplies), and Current Liabilities were \$10,484,043. In addition \$3,957,900 (in 1926, \$10,950,852) marketable bonds were held unpledged among Investments. Profit and Loss credit was \$63,127,706 and Appropriated Surplus \$227,113.

LONG ISLAND R. R.

See Table, page 87.

A dividend of 4% was paid on the stock May 1, 1928. Last previous payment was 1% in November, 1896.

In May, 1900, a majority of the stock was purchased by the Pennsylvania R. R., which company owned, as of December 31, 1927, \$34,084,900 Long Island R. R. stock or 99.92% of total.

An offering of \$5,889,750 stock at par of \$50 was made at the rate of 17.25% of holdings to stockholders of record August 31, 1928. Stock not taken by minority holders was to be subscribed by Pennsylvania R.R. Debt to P. R.R. at March 31, 1928, was \$18,265,534 and the issue of stock was to be applied against this.

BONDS AND DEBENTURES.

On March 29, 1917, the capital stock was increased from \$12,000,000, consisting of 240,000 shares of the par value of \$50, to \$40,000,000, to consist of 800,000 shares of the par value of \$50 each.

On April 26, 1917, \$22,110,250 capital stock was authorized, together with \$5,202,100 twenty-year 5% debentures. The Pennsylvania R. R. agreed to exchange the \$5,202,100 debentures par for par for Long Island R. R. stock held by other shareholders than itself, and all of the debentures were so exchanged.

Prior to 1911 the Pennsylvania R. R. had made advances to this company amounting on December 31, 1910, to \$12,797,952, of which \$12,247,952 was settled by the issue of debenture bonds. In 1909, there had been authorized \$16,500,000 4% 10-year debenture bonds issuable \$6,062,952 to Pennsylvania R. R. for advances and \$10,437,048 reserved for issue to P. R. R. for future additions and improvements. Debentures to the amount of \$12,247,952 were issued as stated above to the Pennsylvania R. R. The amount of debentures authorized was later increased to \$26,500,000, the balance issued to the Pennsylvania at par in payment for advances. These debentures matured 1919, but were discharged April 30, 1917, by issue of \$21,297,900 stock and \$5,202,100 20-year debenture bonds (see above). At December 31, 1927, \$11,266,448 was due the Pennsylvania R. R. for advances. The "Non-negotiable Debt to Affiliated Companies" increased \$3,843,000 in 1927 due to advances by the Pennsylvania R. R. for construction and to pay \$883,000 N. Y. & Rockaway Beach Ry. First Mortgage 5% Gold bonds in September, 1927. Total indebtedness to Pennsylvania R. R. at end of 1927 was nearly \$17,000,000, including miscellaneous accounts payable.

In 1903, an issue of \$45,000,000 Refunding Mortgage 4% bonds was authorized. The total amount issued under this mortgage to December 31, 1927, was \$26,483,000, guaranteed principal and interest by the Pennsylvania R. R. The balance of the issue is reserved either to retire other securities or to take up underlying bonds at maturity.

MISCELLANEOUS.

Lines of the company in and adjacent to the boroughs of Brooklyn and Queens have been completely electrified and large sums

expended for additional terminal facilities at Bay Ridge and Long Island City and for the Atlantic Avenue improvement.

Electrification completed in 1927 added 83 miles of electrically operated track to the system. This included the line between Fresh Pond Junction and Bay Ridge.

Automatic train control system was completed in 1927 on the North Shore Division between Long Island City and Port Washington and Whitestone Landing, and on the Montauk Division between Jamaica and Babylon.

The company stated in its 1927 annual report that it was using all steel passenger equipment, being the first railroad in the country to reach this condition.

Elimination of grade crossings under legislation enacted in 1926 would require a total expenditure of approximately \$47,500,000 by the Long Island R. R. Orders have been served on work involving \$3,000,000 estimated expenditure by the company.

An adjustment of charges for use of the Pennsylvania tunnels and station in New York City effective in 1925 reduced the Joint Facility Rents and Transportation Expenses of Long Island R. R. approximately \$2,500,000.

Losses as result of sale under foreclosure of Long Island Electric Ry. and Long Island Traction Co., in which Long Island R. R. was interested through holdings in Long Island Consolidated Electrical Companies and by advances directly made, caused a debit of \$2,000,000 to Profit and Loss account in 1925.

Credit balance to Profit and Loss December 31, 1927 was \$5,979,699. Prior to 1925 there had been a deficit to this account for 25 years. Current Assets were \$5,603,867 (including \$2,197,095 Material and Supplies) and Current Liabilities were \$12,425,629 (including \$5,856,600 Funded Debt and Interest Matured, Unpaid).

Final settlements for the periods of federal control and guaranty were made in 1923, the Long Island R. R. paying the Government \$324,518 net (which included \$2,573,510 for additions and betterments made by the Government) for the former period and receiving \$1,178,000 on account of the latter.

IMPROVEMENT PROGRAM.

In the 1926 annual report it was stated that requirements for new equipment and improvements in the five years 1927 to 1931 amounted to about \$63,100,000 of which nearly half was mandatory (grade crossing elimination, etc.) and of the total \$5,880,000 only would be chargeable to operating expenses. To the balance of \$57,220,000 was to be added \$10,608,917 for maturing obligations, and over \$13,000,000 for funding floating debt. Owing to a capital structure of 68% debt and 32% stock the company considered that future necessities should be financed largely through sale of stock and

that unless its stock and bonds could be sold to the public it would be impossible to undertake the five-year improvement program.

The average annual return on property investment of the company was stated to have been 3.90% in the 10 years 1917 to 1926 and 4.93% in the 5 years 1921 to 1926. A proceeding has been under way for some years for increased rates of fare for commutation passenger traffic. In 1927 the commutation traffic of the Long Island R. R. represented two-thirds of the number of passengers carried but produced only 44% of total passenger revenue. The increase in rates allowed the railroads in 1920 did not apply to commutation traffic.

GROWTH IN TWENTY-ONE YEARS.

In the 1922 annual report the following review was made:

"Nearly sixty-two million dollars has been added to 'Road and Equipment' since 1901. Over four millions was due to the merger of the Great Neck and Port Washington, Montauk Extension, New York Bay Extension, Jamaica and South Shore, Long Island Railroad Company North Shore Branch and New York and Rockaway Beach Railroads.

"789 passenger train cars have been added and 149 retired, increasing this equipment from 621 wooden cars in 1901 to 385 wooden and 876 steel, total of 1,261 cars in 1922.

"2,209 freight train cars have been added and 711 retired, increasing freight equipment from 1,168 to 2,666 cars. One tug boat and 5 steel car floats of 20 car capacity were purchased and several wooden car floats of small capacity retired.

"92 locomotives were added and 105 retired, there being 13 less in 1922 due to the electrification of your lines from Flatbush Avenue to Jamaica, Long Island City to Jamaica, Jamaica to Hempstead, Jamaica to Long Beach, Valley Stream to Far Rockaway, Whitepot to Far Rockaway, Hammel to Rockaway Park, Winfield to Port Washington and Whitestone Junction to Whitestone, about 82 miles of line representing nearly 21% of your total mileage."

About 220 grade crossings were eliminated; grades changed; additional main track laid; and new stations and freight yards constructed.

"About 2 miles of first track, 68 miles of second track, 35 miles of third track, 19 miles of fourth track with signals and 194 miles of sidings and yard tracks were constructed. Over 320 miles of 80, 85 and 100 lb. rail were used to replace lighter rails during this period.

"The number of passengers carried increased from 14,520,218 to 79,656,891, tons of freight handled from 1,642,937 to 6,027,860, while the gross earnings of your road increased from \$4,862,347 in 1901 to \$30,951,540 in 1922."

FUTURE IMPROVEMENTS.

In the 1927 annual report the following comments were made:

"The results for the year show the continued reliance of your Company on The Pennsylvania Railroad Company for advances to carry on its improvement work and to meet its maturing obligations. The Company's capital structure, consisting of approximately 68% in debt and 32% in stock, needs further readjustment, and it is desirable that, at an early date, the Company should issue either preferred or common stock to provide itself with the necessary working capital, to pay off some of the unfunded obligations already incurred, and pave the way for obtaining additional capital for future improvements, which are of the greatest importance to the residents and business interests of Long Island, who are dependent upon the transportation service of the Long Island Railroad.

MARYLAND & PENNSYLVANIA R. R.

See Table, page 88.

No dividends have been paid on the common stock.

Income bonds, 4% cumulative, were formerly outstanding in amount of \$900,000, interest on which was paid annually from 1902 to April, 1914, inclusive. Accumulation of interest on December 31, 1923, was 40%. In August, 1923, the company announced a plan to exchange for each \$1,000 in Income bonds with accumulated interest \$500 in new First Consolidated Mortgage 6% bonds, due 1963, and \$500 in capital stock. The plan was made effective in April, 1924. During 1924 \$807,000, 1925 \$30,000, 1926 \$12,000, and 1927 \$2,000 Income bonds were exchanged for new bonds and stock, leaving \$49,000 outstanding. Per \$1,000 bond \$23 interest was paid on April 1, 1925, \$10 on April 1 and \$15 on October 1, 1926, and \$14 on April 1, and \$37 on October 1, 1927, and \$75 on April 1, 1928, leaving 49.1% arrears.

After retirement of the Income bonds the new First Consolidated Mortgage bonds will be subject to \$897,000 First Mortgage 4s, due 1951, and \$202,450 York & Peach Bottom Ry. 5s, due 1932, for retirement of which bonds are reserved under the new mortgage. New bonds are also issuable to retire Maryland & Pennsylvania Terminal Ry. 5s, due 1936, and provide for capital expenditures of the Maryland & Pennsylvania R. R. and subsidiaries. It was stated that \$212,387 had been expended from income for improvements in nine years, 1914-1922; under the plan 80% of cost of future additions and betterments may be financed by sale of First Consolidated bonds.

Maturity of \$300,000 notes October 1, 1923, was met with cash (mostly accumulated for the purpose out of earnings) and with \$60,000 borrowed on demand note. The latter note was retired

in 1924, income for the year being charged with \$53,582 on that account.

The company guarantees principal and interest \$200,000 Maryland & Pennsylvania Terminal Ry. 5% bonds due 1936. The stock of the latter company is owned by the Maryland & Pennsylvania R. R.

Rail in main tracks, December 31, 1927, included: 1 mile of 90-pound rail, 3 miles of 85-pound rail, 17 miles of 80-pound rail, 31 miles of 75-pound rail, and 29 miles of 70-pound rail.

Current Assets, December 31, 1927, were \$347,926 (including \$113,324 Material and Supplies) and Current Liabilities were \$213,400. Credit balance to Profit and Loss was \$43,516. Appropriated Surplus, including \$285,000 for Funded Debt Retired and \$706,337 for Additions to Property, was \$1,041,837.

NEW YORK CENTRAL R. R.

See Table, page 89.

From 1900 to 1906, 5% dividends, and from January, 1907, to and including January, 1908, 6% dividends were paid. In April, 1908, the dividend was reduced to a 5% basis. In April, 1910, the rate was raised to 6%, but in April, 1911, again reduced to 5%. With the August 1, 1923, dividend the rate was increased to 7%, and in August, 1927, to 8%. Since 1869 the annual dividend rate on the stock has never been less than 4%. There have also been valuable rights to subscribe to additional stock. In addition to such a right in 1924, stockholders received the right to purchase the company's holdings of Reading Co. rights (to subscribe to Coal Corp. stock) at \$3 per right.

In 1906, the Oregon Short Line R. R. (Union Pacific System) purchased \$14,285,700 stock of the New York Central at about \$137 per share. These holdings were increased to \$24,970,000 at the close of 1927, largely by subscription to new stock at par.

PROPOSED LEASES OF SUBSIDIARIES.

Under date of July 15, 1926, the New York Central R. R. proposed to lease (1) the Michigan Central R. R., with its leaseholds of Canada Southern Ry., etc., (2) the Cleveland, Cincinnati, Chicago & St. Louis Ry., with its leaseholds and with its contracts for operation of Peoria & Eastern Ry., etc., and with proposed leases to it (C., C., C. & St. L. Ry.) of Cincinnati Northern R. R. (244 miles) and Evansville, Indianapolis & Terre Haute Ry. (146 miles), and (3) the Chicago, Kalamazoo & Saginaw Ry. (46 miles).

Rentals would provide dividends of \$50 per share annually on Michigan Central R. R. stock (over 99% owned by N. Y. C. R. R.), \$5 on preferred and \$10 on common stock of C., C., C. & St. L. Ry. (over 84% of preferred and 91% of common stock owned by N. Y.

C. R. R.), \$12 on Cincinnati Northern R. R. stock (over 97% owned by C., C., C. & St. L. Ry.), and \$6 and \$4 respectively on stocks of Chicago, Kalamazoo & Saginaw Ry. and Evansville, Indianapolis & Terre Haute Ry. (all owned within the proposed system).

The purchase, at fair value to be agreed upon or determined by arbitration, of the stocks of Michigan Central R. R., C., C., C. & St. L. Ry., and Cincinnati Northern R. R. was proposed, if such minority stocks were offered for purchase within 90 days after notification of execution of lease.

Leases were to be for 99 years and were to provide for transfer of investments and current assets to New York Central R. R. which company would pay liabilities and at termination of leases would render accounting.

In June, 1927, an examiner for the Interstate Commerce Commission recommended a denial of permission to effect the leases, emphasizing the desirability of including short lines of the territory in a unification.

The decision of the Interstate Commerce Commission was still pending in September, 1928.

CAPITAL STOCK SOLD OR OTHERWISE ISSUED.

Since 1900 new stock has been sold or otherwise issued as follows:

In April, 1900, issued to stockholders at par.....	\$15,000,000
In 1902, issued to stockholders at \$125 per share. Proceeds used for improvements	16,912,900
In March, 1906, issued to stockholders at par.....	16,947,800
In 1906, issued to stockholders at par. Proceeds used for improvements, new equipment and terminal improvements in New York	28,984,900
In January, 1910, issued to stockholders at par (about \$22,000,000 to refund 5% notes, and about \$22,000,000 for extensions, improvements, etc.).....	44,097,300
Other increases at various times, 1900 to 1917, including stock issued for purchase of outstanding "Lake Shore" shares and for other consolidation purposes	27,876,460
In 1917, issued to stockholders at par (see below)....	258,900
In 1922-1923, issued to acquire stock of C. C. C. & St. L. Ry.	18,640,020
In 1923, 1924 and 1925, issued for \$87,939,800 convertible bonds and \$4,394,050 cash	87,937,000
In 1924, issued to stockholders at par (see below)....	24,902,460
In 1925, sold	2,181,400
In 1927, issued to stockholders at par.....	38,027,200
In 1928, offered to stockholders at par.....	42,158,300
	<hr/>
	\$363,924,640

From 1900 to and including the 1928 subscription offer over \$321,000,000 cash had been realized by the company from issuance of stock, including \$92,333,850 cash derived from sale of \$87,939,800 bonds and conversion into \$87,926,000 stock at 105. The total premium over par received for stock outstanding was \$4,396,850 at the end of 1927.

In addition, the employees of the company and its subsidiaries were allotted \$6,874,700 stock at 110 and \$1,486,400 at 115 during 1925 for subscription in monthly installments. In 1926 there was authorized for issuance from time to time \$20,000,000 additional stock for employee subscription.

Stockholders of record January 2, 1917, were offered \$25,000,000 stock at par to the extent of 10% of their respective holdings. Only \$258,900 of the stock was subscribed for owing to market conditions.

In 1921, issue of \$23,478,880 stock was authorized for acquisition of common and preferred stock of "Big Four." (See a later paragraph.)

Stockholders of record January 2, 1924, received the right to subscribe at par to additional stock to the extent of 10% of holdings. Provision was made that if outstanding stock were increased through bond conversion to beyond \$315,106,200, stockholders should have subscription rights reduced in proportion. Practically no bonds were converted to participate in subscription, \$24,902,460 stock being subscribed for. The company in 1925 sold \$1,929,400 stock unsubscribed together with \$252,000 held in the treasury.

As of November 1, 1927, \$38,027,200 stock was subscribed at 100 by stockholders in 10% ratio.

As of August 29, 1928, \$42,158,300 stock was offered for subscription by stockholders at 100 at the rate of 10% of holdings. Proceeds were applicable toward the payment at maturity September 1, 1928, of \$50,000,000 Lake Shore & Michigan Southern 4% bonds.

CHANGES IN CAPITAL STRUCTURE.

The relation of stock and funded debt of the company at various dates is shown by the following:

<i>Dec. 31, Year</i>	<i>Stock</i>	<i>Funded Debt</i>	<i>Stock % Total Capitalization</i>
1915	\$249,590,460	\$681,240,153	26.81%
1920	249,849,360	748,366,477	25.03
1922	268,233,920	762,956,287	26.01
1924	304,836,835	776,916,391	28.18
1925	383,258,235	696,501,507	35.49
1927	421,285,435	684,629,139	38.09

In a letter to stockholders proposing \$100,000,000 increase in authorized capital stock, the company in July, 1926, stated, "New capital will be required from time to time for the improvement and

expansion of the company's facilities and for other capital purposes, and funds will be required to meet maturities of bonded indebtedness, of which more than \$100,000,000 will become due during the next five years. A substantial part of the moneys to be provided for these capital purposes—over and above the portion thereof which may be provided through income—should be obtained through the issue of capital stock, in order that there may be a proper balance between stock and debt."

BONDS.

In 1897, a Refunding Mortgage was authorized for \$100,000,000 3½% bonds due 1997 under which \$94,000,000 were sold.

In 1904, \$48,000,000 4% debentures were sold, due 1934. These debentures are now secured by the Consolidation Mortgage (see following).

In 1913, a Refunding and Improvement Mortgage was authorized not to exceed \$500,000,000 except under careful restrictions for refunding, etc.; also 4% Consolidation Mortgage bonds due 1998, to the amount of \$167,102,400.

Consolidation Mortgage bonds were issuable for the following purposes: Series A \$90,578,400 and Series B \$19,336,000, respectively in exchange for \$90,578,400 N. Y. Central 3½% "Lake Shore" collateral bonds and \$19,336,000 Michigan Central collateral bonds; Series C \$48,000,000 and D \$9,188,000 only to refund \$48,000,000 4% debentures due 1934, and \$9,188,000 debentures due 1942. The last two issues of debentures are secured by the Consolidation Mortgage ranking subject, however, to Series A and B bonds. The Series A and B bonds were exchangeable on and after February 4, 1916, for the "Lake Shore" and Michigan Central collateral bonds but to December 31, 1927 only \$67,930,000 Series A (Lake Shore collateral) bonds had been so exchanged.

The Refunding and Improvement bonds are issuable in series, all due October 1, 2013. They are secured by lien next to the lien of the Consolidation Mortgage on all lines owned in 1913, including consolidated and merged lines (Lake Shore & Michigan Southern Ry., etc.), and by various bonds and stocks, including \$10,000,000 stock of the West Shore R. R. (entire issue), stock of the New York & Harlem R. R., etc. In 1913, \$40,000,000 Series A (N. Y. C. & H. R.) 4½% bonds were sold and the proceeds mostly used to retire notes. As of December 31, 1927, \$4,494,000 Series B (N. Y. C.-N. Y. C. & H. R.) 6% bonds were issued, but held by or for company, and were not in hands of public. In April, 1922, \$60,000,000 Series C (N. Y. C.-N. Y. C. & H. R.) 5% bonds, and in July of that year \$25,000,000 additional, were sold. Proceeds of both were used mostly to retire other bonds and notes.

In 1915, the N. Y. Central issued and offered for subscription at par to stockholders, \$100,000,000 20-year 6% debenture bonds convertible into stock at the rate of \$100 stock for \$105 bonds,

between May 1, 1917, and May 1, 1925. The proceeds of the issue were used to retire notes maturing during 1915. In 1925, \$76,241,500 debentures were converted; in 1924, \$11,611,300, and in 1923, \$87,000 had been converted. Of the issue, \$12,060,200 remains outstanding. See a foregoing paragraph.

CONTROL OF OTHER RAILROADS—MERGER WITH "LAKE SHORE," ETC.

The New York Central R. R. (formerly N. Y. Central & Hudson River R. R.) acquired prior to December 31, 1914, practically all of the capital stock of the Lake Shore & Michigan Southern Ry. and of the Michigan Central R. R. (\$45,289,200 Lake Shore and \$16,819,300 Michigan Central). Of Michigan Central stock \$618,200 additional was acquired in 1922, \$327,200 in 1923, and \$2,000 in 1924, all at \$350 per share, \$141,000 in 1925 (at over \$558 average cost per share), \$670,200 (at \$1,000 per share) in 1926, and \$6,200 (at \$1,000 per share) in 1927, which brought holdings to \$18,584,100, 99.19% of the total stock. Prior to 1915 these stocks were acquired by exchange for New York Central 3½% bonds on the basis of \$200 in bonds for \$100 in L. S. & M. S. Ry. stock, and \$115 in bonds for \$100 in Michigan Central R. R. stock. On January 1, 1915, the Lake Shore was merged into the New York Central R. R. All outstanding securities of the former company were assumed by the latter.

On the Lake Shore stock the dividend rate was raised in 1907 from 8% to 12%, and in 1908, 1909, 1910, 1911, 1912, 1913, and 1914, dividends of 14%, 12%, 18%, 18%, 18%, 18% and 12% respectively were paid.

On the Michigan Central R. R. stock the rate was raised in January, 1907 from 4% to 6%, and in 1908, 8% was paid; from 1909 to 1914 6% was paid and 1915 to 1920 4% was paid annually. In 1921 6% was appropriated, 4% paid 1921 and 2% January, 1922. In 1922 14% was appropriated, 4% regular and 6% extra being paid in January, 1923. Beginning with the July, 1923, semi-annual payment, the dividend rate was increased to 20%, in addition 7½% extra being paid in January, 1926. With the July, 1926 and 1927, dividends the annual rate was raised to 35% and 40% successively. An extra 50% was paid on December 30, 1927.

Control of the "Nickel Plate" (sold in 1916), "Big Four," Pittsburgh & Lake Erie R. R., Lake Erie & Western R. R. (sold in 1922), Toledo & Ohio Central Ry. (now leased) and Chicago, Indiana & Southern R. R. (latter company merged January 1, 1915, into New York Central System) was for a number of years held by the Lake Shore & Michigan Southern Ry. through its ownership of their stocks. Following the merger of the Lake Shore into the New York Central & Hudson River R. R., these securities were transferred to the New York Central R. R.

The Public Service Commission of New York some years ago granted permission to the New York Central to purchase all or

any part of the \$10,000,000 stock of the New York & Harlem R. R. at not over \$175 per \$50 share. To December 31, 1927, \$5,551,400 (64.1%) common and \$1,142,950 (85%) preferred stock had been acquired. The property was leased for 401 years from 1873 at 10% on the stock. Minority stockholders have organized and petitioned for accounting of revenues. The income from non-carrier property was claimed to entitle stockholders to additional dividends.

Permission was also granted to purchase the \$10,000,000 Rome, Watertown & Ogdensburg R. R. stock at \$124 per share and the outstanding balance (\$1,103,000) of the \$2,223,000 Utica & Black River R. R. stock at \$184 per share. Both of these companies were leased by the New York Central and dividends of 5% and 7% respectively were guaranteed on their stocks. The stocks were acquired and the companies consolidated.

In 1900 the New York Central leased the Boston & Albany R. R. (407 miles) for ninety-nine years, guaranteeing its bonds and paying as an annual rental 8% on the Boston & Albany R. R. capital stock.

FURTHER ACQUISITION OF "BIG FOUR" STOCK.

In December, 1921, New York Central offered one share of its capital stock for one share of preferred and 80 shares of its stock for 100 shares of common stock of Cleveland, Cincinnati, Chicago & St. Louis Ry. Theretofore New York Central had owned none of the \$9,998,500 "Big Four" 5% preferred stock but \$30,207,700 of the \$47,028,700 common stock. Chiefly by this means New York Central's holdings were increased to \$42,941,100 (91.31%) of the common stock and \$8,468,100 (84.69%) of the preferred stock, on December 31, 1927. During 1922 New York Central issued in exchange \$18,384,560 of its own stock, and during 1923, \$255,460. In 1924 \$14,800 preferred stock was acquired at cost of \$12,839.

OTHER ACQUISITIONS.

In May, 1922, the New York Central R. R. acquired the entire capital stock (5,000 shares) of the Chicago River and Indiana R. R. at a cost of \$750,000. At the same time the Chicago Junction Ry. was leased to the C. R. & I. for a rental of \$1,500,000 the first year and \$2,000,000 annually thereafter. Important facilities around Chicago were thus provided. During 1922 the New York Central purchased 68 shares (of 100 issued) in Cleveland Union Terminals Co. (See under the "Big Four.") This company has issued bonds guaranteed jointly by the proprietors and construction of the terminal is proceeding.

To reach territory around Fort Wayne, Ind., the New York Central together with Pennsylvania R. R., Wabash Ry. and New York, Chicago & St. Louis R. R. in 1923 incorporated the Fort

Wayne Union Ry. Co., each subscribing to \$20,000 par value stock.

In 1923 the stock investment in Trestle Realty Corp. was increased at a cost of \$57,626 and ownership is now equally divided between New York Central and Reading Co. The company owns a dock, etc., at Buffalo.

In 1927 at a cost of \$9,749,012 there were acquired \$3,839,800 prior lien 7% cumulative, \$493,300 preferred 6% non-cumulative, and \$5,600,000 common stock of Wheeling & Lake Erie Ry. Nearly equal amounts of stock were acquired by Baltimore & Ohio R. R. and New York, Chicago & St. Louis R. R.

LEASE OF TOLEDO & OHIO CENTRAL RY.

Effective January 1, 1922, the Toledo & Ohio Central Ry. was leased for the term of the lessor's corporate existence (subject to termination by lessee upon 90 days notice) by New York Central R. R. Lease includes assignment of leases by lessor of Kanawha & Michigan Ry., Kanawha & West Virginia R. R., and Zanesville & Western Ry. This group of lines (796 miles) is separately operated as the Ohio Central Lines. New York Central R. R. which owns practically all the stock of Kanawha & Michigan Ry. also holds control through stock of Toledo & Ohio Central Ry.

SECURITIES OWNED.

As of December 31, 1927, the New York Central R. R. held stocks, bonds and notes (in large part acquired from the Lake Shore) of a par value of \$275,223,653 valued on the books at \$259,413,730, not including \$79,095,796 advances made to various companies. Among investments were the following stocks of other railroads, etc., with date of purchase in parenthesis:

	Par Value	Book Value
Cleve., Cin. Chic. & St. L. Ry. pfd....(a)	\$8,468,100	\$8,466,139
Cleve., Cin., Chic. & St. L. Ry. com...(a)	42,941,100	35,533,281
Mahoning Coal R. R. pfd.	478,000	479,570
Mahoning Coal R. R. com.	894,650	396,310
Michigan Central R. R.....	18,584,100	30,160,970
New York & Harlem R. R. pfd.....	1,142,950	3,998,297
New York & Harlem R. R. com.....	5,551,400	19,379,171
Pittsburgh & Lake Erie R. R. ....(b)	21,591,720	18,668,782
Toledo & Ohio Central Ry. (1910) pfd.(c)	3,701,400	3,701,400
Toledo & Ohio Cent'l Ry. (1910) com.(c)	5,846,300	3,419,355
Indiana Harbor Belt R. R.....	1,500,000	1,500,000
Reading Co. 1st pfd.....(d)	6,840,000	5,491,472
Reading Co. 2nd pfd.....(d)	15,015,000	10,348,452
Reading Co. com.....(d)	13,145,000	10,073,149
Toronto, Hamilton & Buffalo Ry.....(e)	2,012,000	702,680
Wheeling & L. E. Ry. prior lien.....(f)	3,839,800	7,100,021

	Par Value	Book Value
Wheeling & L. E. Ry. pfd..... (f)	\$493,300	\$315,876
Wheeling & L. E. Ry. com..... (f)	5,600,000	2,333,114
American Express Co. (g)	1,590,000	1,996,432
American Railway Express Co.	300,000	300,000
Mohawk Valley Co., no par..... (h)	511,430 shs.	2,843,108
New York State Rys. com..... (i)	\$13,604,300	13,604,300
Rutland R. R. pfd..... (j)	2,352,050	1,999,242
N. Y., New Haven & H. R. R. com.....	1,545,600	2,685,275

(a) Preferred stock acquired 1922 and 1923 in exchange for an equal amount of N. Y. Central stock and 148 shares for cash in 1924; common stock acquired \$7,528,700 in 1905, \$4,395,400 in 1906 and \$7,059,600 in 1907; also \$12,686,700 acquired 1922 and \$46,700 1923 in exchange for \$10,186,720 N. Y. Central stock. This company controls and operates the Peoria & Eastern Ry. and controls the Cincinnati Northern R. R.

(b) Control held for many years. Additional stock was subscribed for at par in 1902, 1903, 1909, 1910, 1911, and 1912. At the close of 1927 a stock dividend of \$3,598,620 was received.

(c) Acquired March, 1910, from Hocking Valley Ry. at cost said to have been par. The Toledo & Ohio Central Ry. controls the Kanawha & Michigan Ry. through stock ownership and lease.

(d) Including \$775,000 first and \$750,000 second preferred and \$3,292,500 common stock acquired in 1926 at costs of \$39.80, \$40.64, and \$82.57 per share respectively. An equal amount of Reading Co. stock is held by the Baltimore & Ohio R. R. Originally the "Lake Shore" and Baltimore & Ohio each owned \$3,950,000 additional Reading Co. common stock, but this was sold in 1904. During 1914, \$150,000 Reading Co. common stock was sold, and the profit therefrom (\$172,794) credited to Profit and Loss. (See below for sale of rights accrued on this stock.)

(e) Canadian Pacific Ry. owns 27% of the total stock issue and Michigan Central R. R. and Canada Southern Ry. own the remainder. In 1926 a 20% stock dividend was received.

(f) Acquired in 1927; total cost \$9,749,012; approximately equal amounts held by Baltimore & Ohio R. R. and New York, Chicago & St. Louis R. R.

(g) Book value reduced \$375,000 in 1923, and \$431,150 in 1924, by credits from distributions on, and sale of Wells Fargo & Co. stock originally received as dividend on American Express Co. stock. In 1925, \$1,410,000 stock of \$1,770,418 book value was sold and \$423,658 profit credited to Profit and Loss.

(h) Sold in June, 1928, at \$75 per share; book profit, \$35,514,142.

(i) Sold in June, 1928, at \$25 per share; book loss, \$10,203,225.

(j) Controlling interest, or \$4,704,100, was formerly held; one-half, or \$2,352,050, sold to the "New Haven" for \$2,364,977 in 1911.

The New York Central R. R. owns the entire \$100,000 stock of the Securities Corporation of the New York Central R. R. This company held on December 31, 1927, \$2,500,000 stock of Lehigh Valley R. R. which cost \$3,829,637 or approximately \$76.59 per share; also \$1,628,000 New York Central R. R. stock which cost \$1,808,608. In 1927 the Corporation sold \$2,500,000 Lehigh Valley stock; at the close of 1926 it had owned \$5,000,000 par value carried at \$66.87 average per share cost. Advances by the New York Central R. R. were \$2,695,806 to the Securities Corporation.

As the Reading Co. segregation decree forbade ownership of both Reading stock and stock of the P. & R. Coal & Iron Corp., New York Central disposed of the rights to purchase Coal Corp. stock which accrued on its holdings of 603,650 shares of Reading Co. stock. New York Central stockholders of record February 2, 1924, received the right to buy on or before May 1 one "Reading right" at \$3 for each five shares of New York Central held. On February 2, 1924, the market value of "Reading rights" was approximately \$23. Of the number offered, 45,782 rights remained unsubscribed for and were sold during 1924, the company realizing \$934,543 net profit.

Formerly a controlling interest in the New York, Chicago & St. Louis R. R. (acquired 1882) was held. This was disposed of in July, 1916, to O. P. Van Sweringen and associates, of Cleveland, for \$2,000,000 cash and \$6,500,000 in notes bearing interest at 4% for five years and 5% thereafter. These notes matured \$650,000 annually commencing 1921. The book value of the "Nickel Plate" stock owned by the New York Central as of June 30, 1915, was \$8,447,747. In 1922 the New York Central sold to the Western Co. (representing the same Cleveland interests) its holdings of \$5,930,000 preferred and \$5,940,000 common stock of Lake Erie and Western R. R. The New York Central had acquired these stocks in 1899 at cost of \$5,847,017; and they were sold for \$3,000,000, the difference debited to Profit and Loss in 1922. On December 31, 1927, the N. Y. C. R. R. held a note of the Lake Erie & Western R. R. for \$650,000. Final payment of notes given in purchase of stocks of both companies was made in 1923.

New York Central R. R. owns the entire \$100,000 capital stock of New York State Realty & Terminal Co. and on December 31, 1927, had advanced \$2,695,806 to this company and held its note for \$28,316,348 additional.

Investment by the New York Central R. R. in the improvement of real estate owned in New York City has been considerable. In developing the use of air-right space in the Grand Central Terminal area in which the company is interested through ownership or lease, a 14-story apartment, "The Barclay," was completed in 1926, and a 30-story office structure, the "Graybar Building," in 1927, while a 34-story tower structure, to be known as the "New York

Central Building," containing in all 800,000 square feet, was commenced in 1927 and was expected to be completed in 1929.

Included in a valuation of \$19,637,552 for miscellaneous physical property shown at the close of 1927 by New York Central R.R. were \$3,152,193 for the office building at 45th and 46th Streets, \$2,800,000 for the Biltmore property, \$1,668,154 for West Side improvements, \$1,610,266 for Buffalo stock yards, and \$2,184,437 for land adjacent to the Cleveland Union Terminal. In 1927 Profit and Loss account was credited \$5,635,076 for the proportion of net income prior to December 31, 1927, from buildings in the Grand Central Terminal area accounted on New York State Realty & Terminal Co. books.

DISPOSAL OF PUBLIC UTILITY HOLDINGS IN 1928.

Negotiations were concluded in June, 1928, for sale of its investments in subsidiaries engaged in the gas and electric and traction businesses by New York Central to a syndicate of which E. L. Phillips, President of Long Island Lighting Co. and Empire Power Co., was a member. Price received for its 511,430 shares or 68.2% of the 750,000 shares of Mohawk Valley Co. stock outstanding was \$75 and represented a total book profit of \$35,514,142. Price for 136,043 or 68.2% of a total 199,524 common shares of N. Y. State Railways Co. stock outstanding was \$25 and represented a total book loss of \$10,203,225. Cash amounting to \$41,758,325 was realized from the sale. Like terms were required by N. Y. Central R. R. to be offered to minority stockholders.

The Mohawk Valley Co. formerly controlled the traction as well as the light and power properties, but in March, 1909, these were transferred to the New York State Railways Co. and at the same time the capital stock of the Mohawk Valley Co. was reduced from \$20,000,000 to \$7,500,000. In 1925 the 75,000 shares were exchanged for 750,000 shares without par value. The New York Central held 511,430 shares of this stock. In 1910 $4\frac{1}{2}\%$ in dividends was paid; from 1911 to 1917, 6% annually was paid. None thereafter until 1921 when 5% was paid. In 1922 $6\frac{3}{4}\%$ was paid. The dividend was increased to 8% in September, 1922. In 1923, 8% and in 1924, 12% dividends were paid. In 1925 6% was paid on the old stock and 80 cents on the new stock. With the April, 1926, dividend the rate was made \$2 a share (equal to 20% on old stock); since continued. The Mohawk Valley Co. controls several companies, principal among which is the Rochester Gas & Electric Corp.

The New York State Railways Co. was incorporated March 23, 1909, to take over the traction properties from the Mohawk Valley Co. It operates about 340 miles of line in and adjacent to Rochester, Syracuse, Utica, Schenectady, Albany, Troy, etc. The New York Central R. R. owned \$13,004,000 of the \$10,052,400 common and \$200 of the \$182,500 preferred stock of the company. In July,

1910, an initial quarterly dividend of $1\frac{1}{2}\%$ was paid on the common stock of the New York State Rys., which rate of 6% was maintained until 1914, when reduced to 5%. In 1915 the dividend rate was 4%, in 1916, $4\frac{3}{4}\%$ and in 1917, 2%. In January, 1923, $1\frac{1}{2}\%$ was paid; and in April, July and October $\frac{3}{4}\%$ each; none since.

EQUIPMENT TRUSTS.

Since 1906 the subsidiary lines, with exception of New York, Chicago & St. Louis R. R. (Nickel Plate), have been known as the "New York Central Lines." In the years 1907, 1910, 1912, 1913, and regularly in the past few years, New York Central Lines Equipment Trust Certificates were sold, guaranteed by agreement, jointly and severally, as to principal and interest, by the New York Central R. R., Michigan Central R. R., Cleveland, Cincinnati, Chicago and St. Louis Ry. and in some cases other New York Central lines. Parties to the 1922 trust in addition to the three companies named were the Cincinnati Northern R. R., the Pittsburgh & Lake Erie R. R., and the Pittsburgh, McKeesport & Youghiogeny R. R. The following table shows the total amount of certificates issued (N. Y. C. Lines only) and the amounts outstanding December 31, 1927:

Series	Total ctf. issued for 90% of value of equipment	N. Y. Central's proportion	N. Y. Cen- tral's propor- tion of ctf. outstanding	Total ctf. outstanding
1907	\$30,000,000	\$22,393,271	Retired	Retired
1910	30,000,000	21,096,206	Retired	Retired
1912($4\frac{1}{2}\%$)	15,000,000	10,325,983	Retired	Retired
1913($4\frac{1}{2}\%$)	23,179,000	10,734,681	Retired	Retired
1922 (5%)	*27,645,000	8,580,000	\$5,720,000	\$18,430,000
1922($4\frac{1}{2}\%$)	*12,660,000	8,535,000	5,690,000	8,440,000
1923 (5%)	*17,340,000	6,930,000	5,082,000	12,716,000
1924 (5%)	*25,050,000	14,745,000	11,796,000	20,040,000
1924($4\frac{1}{2}\%$)	*20,955,000	12,720,000	10,176,000	16,764,000
1925($4\frac{1}{2}\%$)	*21,702,000	10,526,000	9,542,000	19,500,000

*Certificates issued for 75% equipment value.

†Balance of this issue, \$11,172,000, were sold in April, 1926.

In addition to above, other equipment trust issues of N. Y. C. were issued bringing total for N. Y. Central proper on December 31, 1927, to \$69,080,939.

HUDSON RIVER CONNECTING R. R.

This company constructed the Castleton Cut-off, comprising 28 miles of line and a bridge across the Hudson River below Albany

connecting West Shore R. R. at Feura Bush with Boston & Albany R. R. and New York Central R. R. on the east shore of the river, also a classification yard designed ultimately to handle 11,000 cars located between Feura Bush and Selkirk. The arrangements permit interchange of freight without entering Albany, and capacity of the entire system to handle freight to and from the seaboard is thereby increased. The cut-off saves $4\frac{1}{2}$ miles in distance, avoids 130 feet in rise and fall and long steep grades at the Hudson River crossing at Albany, and the concentration of traffic lines at one point produces sufficient volume of business moving from the Niagara River frontier and beyond, destined for Albany gateway distribution, to permit full train loading to the point of concentration, thus eliminating intermediate classifications with attendant economy in time and expense. The bridge, cut-off, etc., were in partial operation in 1924 and the entire project so far as concerned initial development was completed in 1925. On December 31, 1927, N. Y. Central R. R. had advanced \$24,580,000 to the Hudson River Connecting Railroad Corporation and owned the entire \$250,000 stock of that company. The property is leased at a rental of 6% on stock and interest on advances.

EXPENDITURES FOR IMPROVEMENTS—CONSOLIDATED COMPANIES.

It was stated in 1916 that since January 1, 1900, the New York Central & Hudson River R. R. and the subsidiaries now consolidated with it, had expended in additions, betterments, new construction and new equipment, the sum of \$400,000,000.

Some of the more important subsequent outlays for betterments included in the above total were the following (mostly expended during years 1911 to 1914):

For four-tracking along the Hudson River during the later five years, with the necessary new signalling and new station facilities over.....	\$25,500,000
Similar work on the Harlem Division cost nearly	7,500,000
Work on yards, stations, shops and other facilities west of Buffalo	14,000,000
Electrification in New York City suburban territory with necessary equipment, power houses, etc., cost nearly	20,500,000
	<hr/>
	\$67,500,000

FACILITIES AND EARNINGS.

The increase in facilities and earnings which took place between the dates of the two major consolidations in the history of the New York Central R. R. may be seen from the following:

In 1853.
Ten Companies consolidated into the New York Central R. R. (Albany to Buffalo)

307.....	Passenger Cars.....	3,608
1,702.....	Freight Cars.....	143,414
\$3,151,514.....	Passenger Earnings.....	\$62,273,848
\$2,479,820.....	Freight Earnings.....	\$105,858,426
563....	Miles of Track Operated....	14,537
\$1,125,506.....	Dividends	\$12,127,525

In 1914.
Twelve Companies consolidated into the New York Central R. R. (New York to Chicago)

STOCKHOLDERS.

Following table shows disposition of New York Central R. R. stock in recent years:

Dec. 31, Year	Number	Total Aver. H'l'd'g	Foreign Number	Aver. H'l'd'g
1915	25,042	100	2,772	64
1920	32,396	77	223	64
1924	36,282	84	426	66
1925	40,660	94	422	64
1926	61,580	62	406	69
1927	54,530	77	384	72

Stock subscription by employees under offering in 1925 chiefly caused the increase in number of holders in 1926. A total 83,611 shares were subscribed by 41,570 employees, or one-fourth the total number. In 1926, 200,000 more shares were authorized for sale to employees from time to time.

MISCELLANEOUS.

On December 31, 1927, Current Assets (including \$32,388,782 Material and Supplies) were \$78,173,598 and Current Liabilities were \$64,579,917. Credit balance to Profit and Loss was \$217,-926,915. In 1927, \$5,458,700 was credited to Profit and Loss for adjustment in connection with sundry properties in the Grand Central Terminal area.

In 1923 the New York Central R. R. paid to the Government in final settlement of federal rental for itself and leased roads \$23,000,000. The company received \$5,282,638 in final settlement for the so-called guaranty period.

Owned main track (including second and additional tracks) of New York Central R. R. on December 31, 1927, contained:

4 miles of 141-pound rail,					240 miles of 90-pound rail,						
661	"	"	127-	"	"	75	"	"	85-	"	"
5	"	"	120-	"	"	2,097	"	"	80-	"	"
40	"	"	115-	"	"	11	"	"	75-	"	"
5,936	"	"	105-	"	"	65	"	"	70-	"	"
981	"	"	100-	"	"	57	"	"	65-	"	"
26	"	"	95-	"	"	39	"	"	52-60-	"	"

In January, 1928, mostly by voluntary installations, all of the main line from Poughkeepsie to Chicago had been equipped with automatic train control. The line of the Boston & Albany R. R. had already been so equipped.

On June 15, 1927, the 25th anniversary of the Twentieth Century Limited, New York and Chicago, the fastest train in the world for the distance, was celebrated.

As result of state laws requiring electricity to be sole motive power in Greater New York and adjoining cities and grade crossings to be eliminated within the Greater City, various projects have been undertaken by the company and comprehensive plans for improvement of its property on the west side of New York are being worked out.

Under the program of New York State for highway grade crossing elimination, there were ordered 41 to be removed in 1927 on the New York Central R. R. and 82 in 1928, excluding the important project for grade separation in Syracuse.

BOSTON & ALBANY R. R.

Dividends of 8% are guaranteed by the New York Central R. R. under terms of the lease executed in 1899. The Boston & Albany R. R. and its branches were leased for 99 years from July 1, 1900. For certain property in Boston and other assets excepted from the lease, the New York Central paid \$5,500,000 in 3½% debenture bonds, due 2000, annual income from which equals .77% on the outstanding capital stock. Dividends of 8¾% annually are paid (2% March and September, 2½% in June and 2¼% in December).

Results of operation have been as follows in recent years:

Year	Oper. Rev.	*Net Inc.	Year	Oper. Rev.	*Net Inc.
1927....	\$31,116,732	†\$829,268	1923....	\$36,687,782	\$1,545,068
1926....	32,826,056	758,761	1922....	32,541,903	1,477,809
1925....	32,141,494	739,921	1921....	30,688,573	†1,351,943
1924....	32,280,373	613,847	1917....	22,562,282	†4,533

*After deducting \$2,000,000 dividends paid by N. Y. Central R. R. on Boston & Albany R. R. stock. †Deficit.

Effective July 1, 1911, the New York Central made an agreement with the "New Haven" for establishment of through routes over the Boston & Albany R. R., for a ten year period. The two companies agreed to cooperate in promoting business over the road and to share equally in net results of operation. The Government ordered this agreement cancelled as of January 31, 1914.

The \$26,000,000 bonds outstanding are guaranteed principal and interest by the New York Central R. R. None of the bonds are secured by mortgage but no mortgage may be placed on the property without securing present debt.

The Boston & Albany R. R. was not included in the group of New England railroads whose division of joint rates with trunk lines was increased approximately 15% by the Interstate Commerce Commission in its order effective March 1, 1922.

OHIO CENTRAL LINES.

Effective January 1, 1922, the New York Central R. R. leased the Toledo & Ohio Central Ry. and subsidiary lines. This group is now known as the Ohio Central Lines. The Kanawha & Michigan Ry. (with leasehold of the Kanawha & West Virginia R. R.) and Zanesville & Western Ry. are leased to the Toledo & Ohio Central which with these leaseholds is leased to N. Y. Central.

The latter pays as rental amounts equal to fixed charges and taxes and additional cash rentals of \$808,000 to Toledo & Ohio Central Ry. and \$540,000 to Kanawha & Michigan Ry., and also has assumed all obligations as to leaseholds, etc.

Operations have resulted as follows:

Year	Oper. Rev.	*Net Deficit
1927.....	\$20,606,844	†\$558,687
1926.....	21,601,802	†599,570
1925.....	19,317,307	891,045
1924.....	14,719,348	1,605,298
1923.....	20,488,406	1,695,748
1922.....	15,147,004	3,586,808

*After payment of rental by N. Y. Central R. R.: \$2,804,834 in 1927, \$2,906,525 in 1926, \$2,944,322 in 1925, \$2,944,069 in 1924, \$3,016,162 in 1923, and \$3,151,386 in 1922. †Net Income.

On December 31, 1927, the New York Central R. R. owned the entire \$3,701,400 preferred and \$5,846,300 common stocks of the Toledo & Ohio Central Ry., \$259,000 of the \$500,000 first preference income bonds, and also held \$10,339,012 notes and \$2,610,039 advances due from that company. The New York Central R. R. also held \$496,186 notes and \$3,118,200 advances due from the Kanawha & Michigan Ry., and \$60,000 notes of the Zanesville & Western Ry.

TOLEDO & OHIO CENTRAL RY.

In 1901 Hocking Valley had acquired control of Toledo & Ohio Central Ry., issuing its stock (70% for each class) in exchange. By court order Hocking Valley in 1910 disposed of its holdings to the Lake Shore & Michigan Southern Ry.

From 1896 to 1909 no dividends on either preferred or common stocks were paid. In 1909, 10% was paid on the preferred and 2% on the common (5% and 1% representing dividends for the previous year). In 1910, 1911, 1912 and 1913, 5% was paid on both classes; none thereafter prior to lease.

All the stock (\$2,500,000) and bonds of the Zanesville & Western Ry. are owned by Toledo & Ohio Central Ry.

Control of the Kanawha & Michigan was first acquired by Toledo & Ohio Central Ry. in 1890. In 1910 the stock was sold jointly to Lake Shore & Michigan Southern Ry. and Chesapeake & Ohio Ry., but in 1914 control was reacquired, the Ohio Central purchasing \$8,947,000 of the \$9,000,000 stock, and issuing \$8,712,012 one-year notes to pay for same.

KANAWHA & MICHIGAN RY.

An initial (annual) dividend of 4% was paid on stock of this company in June, 1911. In December, 1911, and in 1912, semi-annual dividends of 2½% were paid, and in 1913, 6% was paid. From 1914 to 1920, 5% was paid each year. In 1921, 2½% was paid. The lease by Toledo & Ohio Central Ry. provides for 6% on Kanawha & Michigan stock.

In August, 1916, the Kanawha & Michigan Ry. purchased practically all of the capital stock (\$1,359,600) and assumed the bonds, etc. (\$1,123,000) of the Kanawha & West Virginia R. R. (Charleston, W. Va., to Blakely, with 4-mile branch, 38 miles).

NEW YORK, ONTARIO & WESTERN RY.

See Table, page 90.

Dividends on common stock have been paid as follows: In 1905, 4½% (of which 3% was the initial dividend paid in January, 1905); 1906 to 1911, 2% annually in August. In 1913, 2%, and in July, 1916, 1% was paid. In January, 1918, 2% was paid. Dividends of 1% were paid in August, 1919, and April, 1920, and 2% in October, 1921. For the year 1924, 1% was paid in January, 1925, and a like amount for 1926 in January, 1927; none since.

A majority of the stock, \$29,160,000 common stock and \$2,200 preferred stock, was purchased in 1904 by the New York, New Haven & Hartford R. R. at \$45 per share for the common stock. The New Haven in August, 1925, was reported to have refused an offer of \$50 per share for its holdings.

In 1904, \$12,000,000 General Mortgage 4% bonds due 1955 were authorized, of which \$8,630,000 are outstanding. These bonds and \$20,000,000 Refunding Mortgage 4% bonds due 1992, constitute the funded debt of the company.

In 1899 and 1900 the New York, Ontario & Western Ry. secured control of extensive coal properties from which the majority of its coal tonnage is derived. The company issued \$5,825,000 5% notes (since matured) secured by mortgages on the coal company's property.

Among the coal securities carried on the books of the company as of December 31, 1927, were, in addition to the entire capital stocks, \$3,225,000 joint bonds of the Elk Hill Coal and Iron Co. and Scranton Coal Co. Interest received on these bonds amounted to \$193,500 in 1927, \$80,625 in 1926, \$193,500 in 1925, \$193,500 in

1924, \$199,405 in 1923, \$142,120 in 1922, and \$429,637 in 1921. The due dates of these first mortgages have been several times extended, last to August 1, 1936, and since 1923 interest has been payable at 6%. The Scranton Coal Co. in 1925 borrowed \$950,000 on its note endorsed by New York, Ontario & Western Ry. The \$200,000 capital stock of the Scranton Co. was carried on the books of the O. & W. at \$45,267 and the \$60,000 stock of the Elk Hill Co. at \$241,871.

Trackage rights over the West Shore R. R. (leased by New York Central R. R.) into Weehawken, N. J., are owned in perpetuity.

The Interstate Commerce Commission announced a tentative "final value" as of June 30, 1916, for total property devoted to common carrier purposes of \$45,051,370. Protest was filed by the company, claiming a minimum value of \$84,301,784. Investment in road and equipment was carried on the company's books at \$92,695,208 on June 30, 1916. Suit against enforcement of the valuation was carried to the Supreme Court in 1926.

As of December 31, 1927, main and second track and branches (668 miles, exclusive of 109 miles of trackage) contained:

38 miles of 95-pound rail,	156 miles of 75-pound rail,
286 " " 90- " "	5 " " 67- " "
77 " " 85- " "	5 " " 56- " "
100 " " 76- " "	

Under New York State requirements the company has undertaken the elimination of grade crossings. Its half share of the cost will approximate \$375,000 which will be loaned by the state at a low rate of interest for a long term.

On December 31, 1927, Current Assets (including \$1,657,654 Material and Supplies) were \$2,806,263, and Current Liabilities \$1,787,462. Credit balance to Profit and Loss was \$7,599,647.

NEW YORK, SUSQUEHANNA & WESTERN R. R.

See Table, page 91.

Practically all the stock of this road was exchanged in 1898 for stock of the Erie R. R. For the preferred stock Erie R. R. first preferred was offered dollar for dollar, and for the common stock, Erie R. R. common was offered dollar for dollar. The Erie R. R. owns \$12,733,000 common stock carried at \$12,507,010 on the books and \$12,949,900 preferred carried at \$12,912,920, also \$52,517 common and preferred scrip carried at \$40,920. No dividends have been paid since 1892.

Under the mortgage of the Erie R. R.—Pennsylvania Collateral 4% bonds, \$6,630,000 common and \$6,630,000 preferred stock of this road are deposited.

On December 31, 1927, Current Assets were \$1,227,026 (including \$196,732 Material and Supplies) and Current Liabilities were \$6,027,911 (including \$3,727,422 Car Service Balances Payable and \$1,999,728 Accounts and Wages Payable). Deficit to Corporate Surplus was \$2,365,248 including debit balance of \$3,226,972 to Profit and Loss).

A tentative valuation of \$14,263,500 as of June 30, 1918, has been placed on owned and used transportation property of the company.

In 1923 there was credited to Profit and Loss \$441,068 representing final settlement for the period of federal control.

The New York, Susquehanna & Western R. R. is operated independently and its accounts kept separate and distinct from those of the Erie R. R.

Proceeds from sale of certain property in 1926 at Kingston, Pa., by the Wilkes-Barre & Eastern R. R., a subsidiary, were deposited with trustee of the First Mortgage of that company and \$200,000 of the bonds were acquired.

This company formerly held stock of New York, Susquehanna & Western Coal Co., now owned by Pennsylvania Coal Co. and Hillside Coal & Iron Co.

PENNSYLVANIA R. R.

See Table, page 92.

Dividends were paid at the rate of 6% from 1899 to August, 1906. In November, 1906, and during 1907, a 7% rate was paid. In 1908, the 6% rate was resumed. This dividend was maintained to May, 1921, when the rate was reduced to 4%. In November, 1922, the 6% rate was resumed. With the November, 1926, quarterly payment, the rate was increased to 7%.

From the incorporation of the company in 1846 to February, 1928, inclusive, \$858,045,860 was paid out by the Pennsylvania R. R. to its stockholders in cash dividends, averaging over 6% annually. The first installment on subscriptions to the capital stock was paid in April, 1847. In May, 1848, the payment of 6% interest on subscriptions was begun and was continued until commencing with 1856 the payments were designated as dividends. Thus a return has been paid on the stock each year from 1848. In addition, stock dividends of 30% in 1864, 5% in 1867, and 5% in 1868, representing cash expended for additions and betterments, were paid and valuable stock rights, at various times from 1864 to 1913 and in 1928, were issued.

On December 31, 1927, there were 142,622 (in 1915, 93,768) holders of Pennsylvania R. R. stock. Listing was made in 1927 and 1928 upon the Boston and Chicago Stock Exchanges.

APPROPRIATIONS FROM SURPLUS.

Appropriations from surplus earnings for improvements, additions, etc., have been made as follows:

Years 1901 to 1912...	\$103,249,414	Year 1920.....	None
Year 1913.....	11,103,207	Year 1921.....	\$2,759,796
Year 1914.....	2,230,336	Year 1922.....	423,251
Year 1915.....	10,526,762	Year 1923.....	†2,823,814
Year 1916.....	9,214,925	Year 1924.....	†1,715,026
Year 1917.....	None	Year 1925.....	†2,447,630
Year 1918.....	*None	Year 1926.....	†737,171
Year 1919.....	*None	Year 1927.....	†1,078,575

**In 1922 there was charged to net income \$7,373,895 construction expenditures chiefly during 1918 and 1919 (federal control) on leased and branch roads directly operated, borne by P. R. R. Co.*

†Construction expenditures of leased or branch lines and construction expenditures and advances to leased lines and affiliated companies, borne by P. R. R. Co.

From the surplus of 1912 and earlier years large deductions were made, representing payments on account of equipment obligations and to various sinking funds. Operating expenses were for years heavily charged for improvement work.

In the 1922 annual report it was stated that an aggregate of at least \$373,000,000 surplus earnings of the System had been devoted to improvement of property and equipment and retirement of funded debt.

GOVERNMENT VALUATION.

Tentative valuations of the physical properties of all companies in the Pennsylvania R. R. System were completed with that of Pennsylvania R. R. and leased lines as of June 30, 1918, served by the Interstate Commerce Commission in December, 1926. The properties were valued as of June 30 in various years 1915 to 1918 for the different companies, but prices considered representative in 1914 were applied to the inventories taken, while lands were valued as of the respective valuation dates. For the 80 companies comprising the system the totals were as follows:

Per Valuations—

Cost of Reproduction, New	\$1,790,460,568
Lands	425,635,077

Per Company Reports—

Materials and Supplies	69,664,113
Working Capital (incl. Special Deposits).....	44,747,260
Securities of Corporations not operated as a portion of the System, at cost	157,628,474

Total	\$2,488,135,492
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Capital Obligations Held by Public

\$471,275,607 being held directly or in sinking, insurance or trust funds within the System..... 1,321,964,486

Excess of Assets\$1,166,171,006

The above figures were presented in the 1926 annual report of Pennsylvania R. R. It was stated that at least \$500,000,000 had been expended for additions and improvements since the valuations were made. Allowance for depreciation of the properties was not made in the tabulation. Formal protests to the valuations were filed.

SALE OF STOCK IN 1928.

An offering of new stock for subscription by stockholders at \$50 per share at the rate of one share for eight was announced in March, 1928. For the purpose \$62,500,000 stock was authorized. Rights to subscribe expired May 31. In addition, the stockholders in April approved the sale of \$17,500,000 stock to employees, at not less than \$50 or par. Employees at March 1, 1928, owned \$5,060,200 stock. The offering to stockholders was the first since 1913.

OTHER STOCK AND CONVERTIBLE BOND SALES.

On January 1, 1905, over \$300,000,000 stock of the Pennsylvania R. R. was outstanding. Over one-half of this stock had been issued since 1900, and of the new stock over 80% was sold to stockholders, at from 115% to 120% of par value, for cash. Over \$22,000,000 stock was exchanged in 1903 for 3½% convertible bonds on the basis of about \$7,100 par value in stock for each \$10,000 par value in bonds. Total issue of the bonds was \$50,000,000; on November 1, 1912, \$10,222,500, which had not been converted were paid at maturity.

In 1905, stockholders subscribed at par for \$100,000,000 3½% bonds, convertible into stock at \$75 per \$50 share. A part of the proceeds was used to retire \$27,480,020 6% bonds, the balance for improvements. On October 1, 1915, \$86,827,000 of these convertibles matured and were paid off.

In 1909, stockholders subscribed at par to \$82,517,800 new stock at the rate of 25% of holdings. A majority of the then outstanding convertible 3½% bonds due 1912 were converted in order to participate in the stock subscription. The proceeds from this sale of stock were used to retire \$60,000,000 5% notes, and \$20,000,000 General Mortgage 6% bonds.

In 1911, \$41,261,600 new stock was offered to stockholders at par to the extent of 10% of holdings.

In May, 1913, stockholders subscribed to \$45,387,750 new stock at par, this being equal to 10% of holdings.

BOND ISSUES.

In April, 1908, \$39,400,000 Consolidated Mortgage 4% bonds due May 1, 1948, were sold. The proceeds were used for work on the New York terminals, for construction, etc. Early in 1915 there were sold \$49,000,000 Consolidated Mortgage bonds, bearing interest at 4½% and maturing 1960. The total amount of bonds outstanding December 31, 1927, under this mortgage (now closed) was \$93,505,020. Sinking funds for two maturities (1943 and 1945) had reduced \$7,850,000 original issues to \$4,667,920 outstanding.

In 1914, the General Mortgage was authorized in amount to be never in excess of outstanding stock. A total of \$165,155,000 bonds were reserved to retire prior lien bonds and real estate mortgages. In 1915, \$65,000,000 General Mortgage 4½% bonds due June 1, 1965 were sold to retire with other funds \$86,827,000 maturing 3½% convertible bonds. In 1917, \$60,000,000 additional 4½% bonds, and in 1918 \$50,000,000, bearing interest at 5% and due December 1, 1968, were sold. In 1920, \$50,000,000 General Mortgage 6% bonds due 1970, were issued and pledged behind \$50,000,000 10-year 7% secured bonds due 1930. In 1921, \$60,000,000 additional General Mortgage 6% bonds were issued and pledged behind \$60,000,000 15-year 6½% bonds due 1936. The 6½s and 7s are not redeemable before maturity. Profit and Loss was charged in 1917, \$3,266,426, in 1919, \$1,812,200, in 1920, \$2,057,450, and in 1921, \$2,853,981, for discount on bonds sold.

In February, 1924, \$10,000,000 General Mortgage 5% bonds, due 1974, of Philadelphia, Baltimore & Washington (leased) were sold to reimburse Pennsylvania R. R. for additions and betterments made on the property and for payment of maturing obligations. At the same time, \$4,479,000 General 5s of Pittsburgh, Youngstown & Ashtabula Ry. (leased) were sold. In July, 1924, \$8,300,000 General and Refunding Mortgage 5% bonds of the Northern Central Ry. (leased) were sold, proceeds being delivered to Pennsylvania R. R. in part reimbursement for additions and betterments and payment of obligations. At the same time \$3,545,000 bonds of the Pittsburgh, Youngstown & Ashtabula Ry. (leased) were sold for reimbursement of the Pennsylvania R. R. In March, 1925, \$26,000,000 General Mortgage 5s of the P., C., C. & St. L. R. R. were sold (\$1,097,880 discount and expense charged Profit and Loss in 1925) in part to reimburse Pennsylvania R. R., also to retire about \$2,000,000 other indebtedness.

An issue of \$50,000,000 5% 40-year secured bonds was sold by Pennsylvania R. R. in October, 1924. The following collateral was pledged: \$15,000,000 P., B. & W. R. R. stock, \$10,000,000 P., C., C. & St. L. R. R. stock, \$4,750,000 West Jersey & Seashore R. R. stock, \$8,500,000 Northern Central Ry. stock, \$7,500,000 Cleveland & Pittsburgh R. R. special guaranteed betterment stock, and \$12,000,000 Pittsburgh, Fort Wayne & Chicago Ry. 7%

guaranteed common stock. Total par value of securities, \$57,750,000; annual dividends thereon \$3,310,000, all guaranteed by P. R. R. except \$190,000 (4%) on West Jersey & Seashore stock. Proceeds of the bond issue, with other funds, were used to retire \$52,226,000 of a 6% note held by the Government.

In March, 1927, \$22,000,000 First & Refunding Mortgage 4½% bonds due 1977 of the Pennsylvania, Ohio & Detroit R. R. were sold at 92½ to bankers to reimburse the Pennsylvania R. R. for expenditures on the property, etc. The mortgage is a first lien on all the property, including about 783 miles of road, subject to \$8,852,000 prior liens. Additional bonds may be issued to extent of 90% of the cost of additions and betterments, etc. Likewise \$5,231,000 General & Refunding Mortgage 4½% Series A bonds of the Northern Central Ry. were sold at 94¼ to bankers. Of a total \$30,000,000 authorized there are outstanding \$8,300,000 5% in addition to the 4½% bonds.

During 1923, a final settlement for the period of federal control was effected with the Government, the Pennsylvania System owing \$90,000,000, including for additions and betterments made by the Government. The Pennsylvania R. R. gave its 6% note due 1930 for \$70,225,000, this being reduced later in 1923 to \$69,100,000, in 1924 to \$16,874,000, and in 1925 entirely liquidated. The "Panhandle" gave its note to the Government for \$18,250,000, which was reduced in 1924 by payment of \$8,000,000 and the remainder redeemed in 1925. Balance of the \$90,000,000 was paid in cash.

In June, 1925, final settlement for the guaranty period was made, Pennsylvania R. R. receiving \$12,250,596. Net book loss of \$8,415,970 for federal control and guaranty periods was debited to Profit and Loss in 1925. On the same account the P., C., C. & St. L. R. R. in 1925 credited \$3,149,956 to Profit and Loss.

SECURITIES OWNED.

Securities, mostly of affiliated companies, owned by Pennsylvania R. R. on December 31, 1927, comprised \$452,753,216 par value of stocks and \$251,461,335 bonds, notes and mortgages, including \$41,900,100 U. S. Government securities, \$58,600,577 Pennsylvania Tunnel and Terminal R. R. notes, and \$110,000,000 pledged Pennsylvania R. R. General 6% bonds. Total \$704,214,551 par value (\$157,992,400 of stocks and \$121,131,000 of bonds pledged) was carried at \$600,390,644 book value. Income on these holdings in 1927 was \$29,153,786 (in 1926, \$29,972,449, in 1925, \$23,311,578, and in 1924, \$29,852,631 including \$8,000,000 special dividend, paid in securities, on Pennsylvania Co. stock).

On December 31, 1927, the Pennsylvania R. R. and the Pennsylvania Co. owned common stocks as follows, of railroads in the *Pennsylvania Railroad System*:

P., C., C. & St. L. R. R., \$81,302,000; Long Island R. R., \$34,084,900; P., B. & W. R. R., \$21,586,944; Northern Central Ry., \$13,058,050; West Jersey & Seashore R. R., \$6,747,900; Grand Rapids & Indiana Ry., \$5,773,200; N. Y., Phila. & Norf. R. R., \$2,500,000. In addition, the New York, Philadelphia & Norfolk R. R. held \$750,000 stock of P., C., C. & St. L. R. R. in the treasury and \$700,000 in sinking fund.

With exception of Long Island R. R. and West Jersey & Seashore R. R., the railroads whose stocks are listed above are now leased, dividends being paid on these stocks as a part of rentals.

A dividend of 4% was paid May 1, 1928, on stock of Long Island R. R. Last previous payment was 1% in November, 1896. The income to Pennsylvania R. R. was equal to about 12 cents per share of its stock.

On December 31, 1927, the Pennsylvania R. R. and the Pennsylvania Co. owned capital stock as follows of important railroads *not in the Pennsylvania Railroad System*:

Norfolk & Western Ry., \$12,238,000 preferred and \$58,392,000 common stock; Wabash Ry., \$19,190,000 common and \$13,170,000 preferred A stock; N. Y., N. H. & H. R. R., \$7,302,500 common; Toledo, Peoria & Western Ry., \$2,011,200 common.

In 1927, Pennsylvania R. R. subscribed to its proportion of "New Haven" preferred stock, but subsequently sold the entire amount and purchased \$1,990,000 common stock. Price received for the preferred stock averaged \$111.38 per share and price paid for the common stock averaged \$53.71 per share.

Of the Norfolk & Western stock, \$1,040,000 common was in the insurance fund.

During 1925, there were purchased by Pennsylvania R. R. \$3,000,000 Norfolk & Western common stock for \$3,732,140 and \$138,000 preferred stock for \$112,470. During 1926, there were purchased \$12,228,000 common for \$18,187,243 (including \$103,000 for \$156,560 by insurance fund) and \$550,000 preferred for \$467,009. Cost of the common stock was 124.40 in 1925 and 148.73 average in 1926.

Total holdings of Norfolk & Western stock represented at December 31, 1927, 43.33% interest.

STOCKS PURCHASED IN 1928.

In April, 1928, it was announced that large holdings of stock in Lehigh Valley R. R. and Wabash Ry. had been purchased for the Pennsylvania R. R. from the Delaware & Hudson Co. In July, 1928, the Pennsylvania Co. reported the ownership of \$18,251,950 Lehigh Valley stock costing \$43,551,208 or \$119.31 per share, \$36,290,000 Wabash common stock costing \$29,958,195 or \$82.56 per share, and \$31,290,000 Wabash preferred A stock costing \$33,083,353 or \$105.73 per share. Since at the close of 1927 it had owned \$19,190,000 common and \$13,170,000 preferred stock of Wabash Ry., it appeared

that the Lehigh Valley R. R. stock and the balance of the Wabash Ry. stock at average cost of \$98.60 for common and \$116.92 for preferred were acquired during 1928. About \$63,000,000 was reported paid to Delaware & Hudson for its holdings and about \$19,000,000 applied to open market purchases.

In 1927, Delaware & Hudson bought \$15,226,950 par value or 304,539 shares of Lehigh Valley R. R. stock at \$72.51 average cost, and \$6,650,000 common and \$15,070,000 preferred A stock of Wabash Ry. at average costs of \$70.91 and \$95.77 respectively. Total cost of holdings sold to Pennsylvania R. R. was \$41,233,442.

PREVIOUS STOCK TRANSACTIONS.

In 1906, the Pennsylvania R. R. sold to the Union Pacific System \$7,206,400 preferred stock and \$32,334,200 common stock of the Baltimore & Ohio R. R.; the Pennsylvania R. R. sold also at that time to Kuhn, Loeb & Co., \$2,254,000 preferred stock and \$14,084,000 common stock of the Norfolk & Western Ry. and \$15,630,000 Chesapeake & Ohio Ry. stock. The Norfolk & Western Ry. stock was repurchased in April, 1909. The Chesapeake & Ohio Ry. stock represented the entire holdings of the Pennsylvania lines.

In June, 1913, \$21,273,600 of each class of Baltimore & Ohio R. R. stock, then held by the Pennsylvania R. R. lines, was exchanged for \$38,292,400 of Southern Pacific Co. stock held by the Union Pacific R. R. From time to time all of this Southern Pacific stock was sold, including \$11,184,100 in 1918, \$3,000,000 in 1924, \$1,860,000 (\$1,896,081 proceeds) in 1925, and \$2,893,800 (book value, \$1,796,469; proceeds, \$3,063,123) in 1926.

In 1920, the property of the Cumberland Valley R. R. was acquired, replacing a stockholding investment in that company.

In 1922, 52,900 shares of Pacific Oil Co. stock were sold, reducing holdings to 23,338 shares which were sold (proceeds, \$2,351,250) in 1925.

WESTERN NEW YORK & PENNSYLVANIA R. R.

A plan for capital readjustment of the Western New York & Pennsylvania R. R. was negotiated in 1927. At the close of 1927, the company had \$353,703 Corporate Surplus including \$7,664,745 debit balance to Profit and Loss, and \$24,881,450 was due to Pennsylvania R. R. for advances. Pennsylvania R. R. owned \$19,439,002 of the \$19,972,756 capital stock and \$9,544,000 of the \$9,605,000 Income 5% bonds. In the recapitalization it was agreed by Pennsylvania R. R. to accept common stock at par for \$23,846,951 advances due at the close of 1926 and to accept non-cumulative 5% preferred stock at the rate of 31% of par for Income bonds and at the rate of 20% for former capital stock. Holders other than Pennsylvania R. R. were offered new preferred stock at the rate of 60% for Income bonds and 50% for capital stock.

LEASES.

As steps in rounding out the lines into a compact system, the Pennsylvania R. R. leased the Pittsburgh, Cincinnati, Chicago & St. Louis R. R., effective January 1, 1921, at a rental of fixed charges and 4% on the capital stock to 1926, and thereafter fixed charges and 5% on the stock; the Grand Rapids & Indiana Ry., effective January 1, 1921, for fixed charges and 4% on stock; the Philadelphia, Baltimore & Washington R. R., effective January 1, 1918, for fixed charges and 6% on stock; the New York, Philadelphia & Norfolk R. R., effective July 1, 1920, for fixed charges and 12% on stock. All four leases are for 999 years. In 1910 the Pennsylvania R. R. had approved lease of the Northern Central Ry. for 999 years on basis of a 40% stock dividend, 10% cash dividend, and guaranteed annual 8% dividend on the increased stock. Execution of the lease was delayed to 1914, owing to suits brought by minority stockholders.

As of December 10, 1925, there were merged the Cincinnati, Lebanon & Northern Ry., the Cleveland, Akron & Cincinnati Ry., the Toledo, Columbus & Ohio River R. R., the Manufacturers Ry., and Pennsylvania-Detroit R. R. into a single company, the Pennsylvania, Ohio & Detroit R. R. All excepting the Manufacturers Ry. had been operated under lease or contract and the property of the new company, 793 miles, likewise is leased. All the stock is owned by Pennsylvania R. R. or Co.

Over 600 original constituent companies have been reduced by merger, etc., until on December 31, 1927, the Pennsylvania R. R. System embraced 10 operating railroad companies, 51 operated under lease or contract, one ferry company, and one terminal company. In addition 36 other companies (water supply, real estate, warehouse, etc.) were actively operating. Inactive companies whose organization must be maintained numbered 17. Companies jointly owned and used with other railroads included 12 operating railroads and 2 operated under lease or contract.

Rent for leased roads in 1927 was \$47,029,935, including \$12,709,044 guaranteed interest, \$25,298,176 guaranteed dividends, and \$9,022,716 cash rental. About \$23,685,000 was actually paid on about \$456,000,000 leased line securities actually in hands of the public, a large amount being owned by Pennsylvania R. R.

PROPOSED LEASE OF NORFOLK & WESTERN RY.

Following a communication addressed to the directors of the Norfolk & Western Ry. by the President of the Pennsylvania R. R., suggesting the advisability of a lease on terms which would preserve the operating identity of the Norfolk & Western Ry., a committee was appointed by each company in March, 1924, to confer on the matter. In June, 1924, negotiations were terminated, mutually advantageous terms not being agreed upon.

The 1923 annual report of Pennsylvania R. R. stated that "the Norfolk & Western Ry. would be essential to the proper rounding out of the Pennsylvania Railroad System. One of the best methods to accomplish that desirable result under the existing laws and conditions, would be to lease the property of that company, provided a lease can be negotiated on mutually satisfactory terms."

The following is also quoted: "For over 22 years the Pennsylvania has had a considerable stock interest in that company, and by that investment and in part through the informed and helpful policy of management, in which it assisted, the Norfolk & Western's property, traffic and markets have been greatly improved and developed, and have satisfactorily met public requirements; the company itself becoming strong financially and very effective in its operation. Beginning in the early seventies the Pennsylvania participated in the promotion and building of that part of the Norfolk & Western Ry. later known as the Shenandoah Valley R. R., extending from Hagerstown, Md., on the Cumberland Valley Division of the Pennsylvania R. R., southward to Roanoke, Va., which, after many difficulties, was finally constructed. Since that time the traffic and other relations of both companies have been most co-operative. The Norfolk & Western is a connecting and supplementing road and is not a competitor of the Pennsylvania R. R. They exchange traffic at the port of Norfolk, Va., at Hagerstown, Md., and Columbus, Cincinnati, Circleville, Clare, Ivorydale, and Idlewild, in the state of Ohio. The Pennsylvania R. R., so that it could distribute, or collect, Norfolk & Western traffic to the best advantage of the two companies, and of the industries and territory which they serve, double-tracked a great portion of its line from Columbus westward to Chicago, and northward to Sandusky, and at the latter point erected docks and machinery for the handling of Norfolk & Western coal traffic. The purpose of the suggested lease by the Pennsylvania R. R. Co. is not merely to create a new situation and new relations, but to continue and expand along existing co-operative transportation and trade relations; to maintain the corporate identity, efficiency and initiative of the Norfolk & Western's operations; to save duplication of capital and other expenditures, and to give the fullest opportunity for the united development and use of the terminals, yards, shops and equipment and other facilities to an extent that could not be realized by forcing them to become separate competing systems."

In May, 1925, stockholders of Norfolk & Western Ry. and Virginian Ry. approved a proposal to lease the property of the latter to the former road at a rental equal to 6% on Virginian Ry. stocks. Approval of the lease was denied in October, 1926 by the Interstate Commerce Commission. The Virginian was unwilling to cooperate with the Norfolk & Western in a contest of the denial.

EASTERN CONSOLIDATION PLANS.

Joint conferences in 1924 resulted in the presentation to the Interstate Commerce Commission by Baltimore & Ohio R. R., New York Central R. R., and the "Nickel Plate" R. R., of a suggested consolidation of eastern railroads into four systems. The plan treated Pennsylvania R. R. System with Norfolk & Western Ry. as practically complete. In expressing dissatisfaction with this proposal to the Commission the Pennsylvania R. R. suggested that not only Norfolk & Western Ry. and Virginian Ry. should be allocated to it, but also Lehigh Valley R. R. Inclusion of the latter in the System, it was stated in the 1924 annual report, "would provide an additional and important gateway to and from New York City harbor and district, would continue a large local and through traffic exchange, would furnish a shorter and less congested route for traffic of the Pennsylvania System which concentrates in the Sunbury, Williamsport and Wilkes-Barre district, and better terminals and connections in the Buffalo-Rochester district."

NEW YORK CONNECTING R. R.

The New York Connecting R. R., which is owned jointly by the Pennsylvania R. R. and the New York, New Haven & Hartford R. R., constructed a line from connections with the Long Island R. R. and the East River tunnel of the Pennsylvania R. R. at Long Island City, through the borough of Queens and across the East River via a bridge at Randall's Island, N. Y., to Port Morris, N. Y. The line connects at the latter point with the "New Haven." Trackage rights over the Long Island R. R. are used to its Bay Ridge terminals on New York Harbor. This line, completed during 1918, not only greatly expedites the movement, but also reduces the transportation cost, of freight and passenger traffic interchanged between the Pennsylvania R. R. and the "New Haven." The cost of this line was about \$20,000,000, which was provided for through an issue of \$24,000,000 4½% bonds, due 1953 (\$30,000,000 authorized) guaranteed by the two proprietary companies. In January, 1926, \$3,500,000 additional bonds, Series B, bearing 5% interest were sold at 97¼ to bankers, the proceeds being applied to repayment of indebtedness to the proprietor companies and to pay for electrification in connection with that on a part of Long Island R. R.

COST OF NEW YORK TUNNEL AND TERMINALS.

The New York tunnel extension (completed 1910) is operated by the Pennsylvania Tunnel & Terminal Co. The \$50,000,000 stock of the latter is owned by the Pennsylvania R. R., \$10,000,000 having been transferred by Pennsylvania Co. in 1922 and \$25,000,000 having been received in payment for notes in 1927; likewise \$3,000,000 stock of Pennsylvania Terminal Real Estate Co. The total cost, to

December 31, 1911, of the tunnel extension including real estate not permanently required for its use, amounted to \$114,861,420, of which \$47,400,000 was charged against Income or the Profit and Loss of the Pennsylvania R. R. and \$10,000,000 was charged against the Profit and Loss of the Pennsylvania Co. In 1927 the debt was reduced \$25,000,000 by exchange of stock for notes. A valuation of \$120,885,852 as of June 30, 1918, has been found for the owned property. In 1928 Pennsylvania R.R. proposed to lease the property for 999 years at 5% on the stock; it had been operated under a temporary arrangement.

CURRENT ASSETS AND LIABILITIES.

On December 31, 1927, Current Assets of the Pennsylvania R. R. were \$115,091,002 (including \$47,105,789 Material and Supplies) and Current Liabilities were \$71,650,418. In addition to Current Assets \$41,900,100 U. S. Government securities were held among investments. The credit balance to Profit and Loss was \$149,421,787, in addition to \$282,928,417 Appropriated Surplus, of which \$212,282,682 represented Additions to Property through Income and Surplus.

RAIL STATEMENT.

Weight of rail in owned main tracks, 15,169 miles, including second and additional tracks, of Pennsylvania R. R. on December 31, 1927, was as follows:

5,097 miles of 130-pound rail,	3,295 miles of 85-pound rail,
416 " " 125- " "	35 " " 80-84- " "
5,848 " " 100- " "	15 " " 74-75- " "
23 " " 88-90- " "	301 " " 70- " "
116 miles of lighter weights.	

SYSTEM REVIEW 1927-1917.

Comparative data regarding Pennsylvania R. R. System (all transportation companies owned, leased, controlled, or operated under contract) follows:

	December 31 1927	1917	Percent Increase
Miles of Road (incl. 68 miles canals and ferries).....	11,689	11,641	0.4
Miles of All Tracks.....	28,127	26,726	5.2
Gross Investment in Road and Equipment	\$2,440,333,861	\$1,872,315,915	30.3
Other Investments (book value)	213,803,751	180,211,893	18.6
Capital Stock held by Public	594,479,208	620,663,577	4.2 (D.)
Number of Stockholders (Penn. R. R.)	142,622	100,038	42.6
Funded Debt held by Public	\$960,352,811	\$693,383,282	38.5

	December 31 1927	1917	Percent Increase
Total Capital Obligations held by Public	\$1,554,832,019	\$1,314,046,859	18.3
Ratio Stock to Total.....	38.23%	47.23%	19.1 (D.)
Tractive Power Locos. (pounds)	340,072,680	281,048,339	21.0
Capacity Freight Cars (tons)	14,579,945	13,821,128	5.5
Seats in Passenger Cars....	342,231	316,220	8.2
Tons of Revenue Freight One Mile	45,538,219,469	48,594,643,624	6.3 (D.)
Passengers One Mile.....	6,386,154,279	5,825,119,024	9.6
Average Number of Employees	201,583	233,034	13.5 (D.)
Total Wages	\$367,022,001	\$249,257,730	47.2
Operating Revenues	721,280,031	491,420,042	46.8
Operating Expenses (incl. taxes, rents, etc.)	611,111,782	413,669,636	46.8
Net Railway Oper. Income..	110,168,249	77,750,406	41.7
Percent Return on Investment in Road and Equip't.....	4.51	4.15	8.7

PENNSYLVANIA CO.

Since 1900 the following cash dividends have been paid:

'02	'03	'04-'05	'06	'07-'08	'09	'10-'13	'14	'15	'16	'17-'27*
3%	4%	5%	6%	7%	8%	7%	4%	6%	8%	6%

*Also special dividends of 20% (\$16,000,000) in 1922, and 10% (\$8,000,000) in 1924, paid in securities owned.

NOW AN INVESTMENT ORGANIZATION.

Effective January 1, 1918, the Pennsylvania Co. relinquished, for direct operation by the Pennsylvania R. R., the leases and operating arrangements of the various railroad properties west of Pittsburgh, theretofore operated by it. The Pennsylvania Co. continues active as an investment organization, although security holdings have been somewhat reduced by transfer as dividends to Pennsylvania R. R. During 1927 it acquired \$19,190,000 common and \$13,170,000 preferred stock of Wabash Ry. During 1926, the Investment in Road, \$278,052, chiefly representing shop machinery, was finally disposed of by sale. At the close of 1927, the Company held Miscellaneous Physical Property, valued at \$4,383,533, increase of \$2,499,136 in the year.

The following amounts of capital stock have been issued all to the Pennsylvania R. R. since 1901 (in which year \$21,000,000 was outstanding): \$19,000,000 in 1901 in exchange for securities of roads connected with the Pennsylvania Co.'s System theretofore

held in treasury of Pennsylvania R. R.; \$20,000,000 in 1905 sold at par; \$20,000,000 in 1910 as a stock dividend. This increased the holdings of the Pennsylvania R. R. to \$80,000,000 stock.

Early in 1912 the Pennsylvania Co. acquired control of the Ohio River & Western R. R., 112 miles Bellaire to Zanesville, Ohio.

In October, 1915, the Pennsylvania Co. disposed of, or exchanged for other securities, \$9,158,300 preferred and \$7,388,900 common stocks of Pennsylvania Steel Co., also \$22,504,100 Cambria Steel Co. stock. From the proceeds of the sale of these and other securities the Pennsylvania Co. in 1915 applied \$7,000,000 to its General Fund and to Sinking and Reserve Fund and \$7,700,000 for Additions and Betterments, while the balance of \$1,256,545 was credited to Profit and Loss.

STOCKS PURCHASED IN 1928.

See under Pennsylvania R. R. in regard to holdings of Wabash Ry. stock and Lehigh Valley R. R. stock by Pennsylvania Co. Total cost of holdings in July, 1928, was \$106,592,756 of which about \$81,500,000 was reported to have been borrowed from banks.

OTHER SECURITIES OWNED.

In 1916 the Pennsylvania Co. offered holders of the \$598,000 stock of the Louisville Bridge Co. held by the public, 7 shares (\$697,200) Southern Pacific Co. stock for 6 shares (\$598,000) Louisville Bridge Co. stock. Practically all of the latter stock was acquired under the offer.

On December 31, 1927, the Pennsylvania Co. owned bonds and stocks of a par value of \$160,757,491 valued on the company's books at \$122,050,683. The total included \$4,718,000 bonds. Of these securities \$33,500,000 face value of stocks were pledged. The income received from securities in 1927 was \$7,637,915 (1926, \$7,175,217; 1925 \$6,484,017; 1924, \$7,067,304; 1923, \$7,093,288, 1922, \$7,482,019).

Included in stocks owned (\$156,039,491 at par) on December 31, 1927, were \$19,190,000 common and \$13,170,000 preferred stock of Wabash Ry. (acquired in 1927), \$2,011,200 Toledo, Peoria & Western Ry. stock, \$56,302,400 (1926, \$74,041,300) P., C., C. & St. L. R. R. stock (leased by Penna. R. R.), \$23,400,000 Pennsylvania, Ohio & Detroit R. R. stock (leased by Penna. R. R.), and \$3,123,200 Grand Rapids & Indiana Ry. stock (leased by Penna. R. R.). In 1926 the dividend on P., C., C. & St. L. R. R. stock was increased from 4% to 5% in accordance with terms of the lease, and the dividend on P., O. & D. R. R. stock was 5% as compared with 4% on stocks of companies merged to form it.

Included in \$4,718,000 (1926, \$5,488,000; 1925, \$3,560,000; 1924, \$10,587,359) bonds owned in 1927 were \$2,000,000 Liberty bonds and \$1,248,000 Toledo, Peoria & Western Ry. First Mortgage 4% bonds. In 1926 the property of the T., P. & W. Ry. was sold under foreclosure.

GENERAL.

Appropriations (as an operating company) from surplus earnings for additions and betterments were made as follows:

Year 1903.....	\$3,000,000	Year 1910.....	*\$3,500,000
Year 1904.....	2,000,000	Year 1911.....	*4,000,000
Year 1905.....	2,000,000	Year 1912.....	3,000,000
Year 1906.....	2,500,000	Year 1913.....	3,000,000
Year 1907.....	2,500,000	Year 1915.....	2,969,723
Year 1908.....	2,500,000	Year 1916.....	6,400,000
Year 1909.....	*3,000,000	Year 1917.....	4,800,000

**Includes contributions to the General Fund.*

On December 31, 1927, Current Assets were \$4,062,384 and Current Liabilities, \$315,527. The balance to the credit of Profit and Loss was \$28,162,330. Miscellaneous Fund Reserves were \$11,670,774.

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PITTSBURGH, CINCINNATI, CHICAGO, ST. LOUIS R. R.

In December, 1920, stockholders approved the offer of the Pennsylvania R. R. to lease the property for 999 years from January 1, 1921, for an annual rental equal to fixed charges and taxes plus 4% on the stock for five years and 5% thereafter. Execution of the lease was delayed by opposition of minority stockholders, who claimed the guaranteed dividend rate offered was too low, and that a minimum based on past earnings should be 5½% since it was said net from 1908-1917 averaged 6¾% on the stock. In July, 1922, the Interstate Commerce Commission approved the lease (although five of the eleven members wrote separate opinions) with the stipulation that the Pennsylvania Co. and Pennsylvania R. R. shall not sell, pledge or otherwise dispose of "Panhandle" stock without consent of the Commission during the 999-year duration of the lease. This condition to the lease was accepted by the Pennsylvania R. R. Minority stockholders litigated the lease.

CONTROL BY PENNSYLVANIA CO.

On December 31, 1927, the Pennsylvania Co. owned \$56,302,456 (1926, \$74,041,356) stock and scrip of Pittsburgh, Cincinnati, Chicago & St. Louis R. R.; Pennsylvania R. R. owned \$25,020,000 (of which \$25,000,000 was received in 1927 in exchange for 4½% notes and \$8,960,000 in 1922 from Penna. Co.) and New York, Philadelphia & Norfolk R. R. \$1,450,000 (including \$700,000 in sinking fund) additional of the total \$84,860,111 stock liability of that company.

On March 15, 1920, the "Panhandle" owed the Pennsylvania Co. approximately \$22,000,000 for advances, to fund which debt \$20,000,000 General Mortgage 5% bonds, due 1970, were issued and delivered to the Pennsylvania Co. The latter then offered to purchase outstanding minority stock of the "Panhandle," paying

par for par in these bonds, which are guaranteed by the Pennsylvania R. R. The offer was accepted by holders of \$17,479,100 stock and control of the "Panhandle" by the Pennsylvania Co. and Pennsylvania R. R. was increased from 77.5% to 98.3% (over 99% at present).

CONSOLIDATION IN 1916.

Late in 1916, a plan of consolidation was announced whereby the "Panhandle," the "Vandalia" and other Pennsylvania Lines would be operated under one direct management, and the present company was formed. Under the plan \$84,860,208 stock, all of one class, was issuable as follows:

	Outstanding	Received New Stock	Amount
"Panhandle" pfd.	\$29,999,713	\$110	\$32,999,684
"Panhandle" com.	37,609,236	100	37,609,236
Vandalia R. R. stock.....	14,649,466	85	12,452,088
Pittsburgh & Wheeling R.R. stk.	1,000,000	150	1,500,000
Anderson Belt Ry.	49,100	100	49,100
Chic., Ind. & E. Ry. bonds.....	500,000	50	250,000
Chic., Ind. & E. Ry. stocks.....	1,000,000	...	100
	<hr/> *\$84,807,515		<hr/> †\$84,860,208

*Of \$84,860,111 stock issuable December 31, 1927, \$141,014 remained to be issued in conversion.

†2% was paid on this stock in 1916 and 5% in 1917. In 1918, 1919 and 1920, 4% was paid. In August, 1922, 6% was paid for period January 1, 1921 to July 1, 1922, from rental received from the Pennsylvania R. R.

A large majority of the new stock accrued to the Pennsylvania Co. as owner of "Panhandle" and Vandalia R. R. stocks.

Two classes of stock were previously outstanding. Dividends of 5% were paid on both classes from 1910 to 1913, inclusive. In 1914, 4% was paid on the preferred and $\frac{3}{4}$ of 1% on the common stock. In January, 1915, 2½% was paid on the preferred stock; no other dividends were paid on either class during 1915. In January, 1916, 4% was declared on the preferred stock and 2% on the common stock. In July, 1916, 2% was paid on each class of stock.

STOCK ISSUED (OLD COMPANY).

In 1903, the stockholders subscribed at par, to the extent of 10% of their holdings, to \$4,750,000 preferred stock.

In 1907, \$3,853,800 common stock was issued in exchange for the \$644,800 outstanding stock of the Chartiers Ry. (theretofore

operated under lease), on the basis of \$300 of "Panhandle" stock for \$50 Chartiers Ry. stock.

In 1910, a stock allotment of 12½% was offered at par to stockholders; \$7,015,575 new common stock was sold, and the proceeds used for construction expenditures and equipment. In 1911, \$1,498,000 common stock was issued to acquire a like amount of Cincinnati, Lebanon & Northern Ry. stock.

In 1914, \$2,437,600 preferred stock was sold at par to provide funds for additions and betterments.

OTHER FINANCING.

In 1911, \$7,000,000 Consolidated Mortgage 4% bonds (Series G and H) were issued to redeem \$1,967,000 maturing 7% bonds, for double tracking and for other purposes; in 1913, \$7,000,000 4½% bonds (Series I) and in 1914, \$3,494,000 4½% bonds (Series J) were sold. The Consolidated Mortgage is limited to \$75,000,000 bonds, of which \$47,478,000 were outstanding December 31, 1927, approximately \$26,000,000 having been purchased for sinking fund; \$1,506,000 bonds are reserved to retire bonds.

As result of final settlement for the period of federal control, the company issued its note to the Government for \$18,250,000 bearing 6% interest and due in 1930. During 1924, \$8,000,000 was paid in reduction of this note. The remainder was redeemed in 1925 with funds derived from sale of \$26,000,000 General Mortgage 5s. Proceeds of the latter issue were also used to repay \$2,000,000 borrowed from Pennsylvania R. R., retire \$1,899,000 maturing bonds, and reimburse Pennsylvania for capital expenditures made on the property. For discount and expense on these bonds \$1,097,880 was charged to Profit and Loss in 1925. In final accounting for federal control and guaranty Profit and Loss was credited \$3,149,956 in 1925.

At December 31, 1927, \$37,964,302 was due to Pennsylvania R. R. for advances. Early in 1928, \$8,530,000 General Mortgage Series C 4½% bonds due 1977 were delivered to Pennsylvania R. R. in payment for a like amount of advances. The issue of \$25,000,000 additional bonds for this purpose was subsequently approved. At December 31, 1927, there were outstanding \$20,000,000 General Mortgage Series A 5% bonds due 1970 and \$26,000,000 Series B, due 1975.

GENERAL.

A tentative valuation of \$184,131,934, as of June 30, 1916, was placed on the transportation property of this company and subsidiaries.

The following sums were appropriated from surplus earnings in recent years prior to the lease.

	For Extraordinary Expenditures	For Sinking Funds
Year 1906.....	\$900,000	\$1,046,123
Year 1907.....	875,233	1,040,523
Year 1908.....	358,000	1,094,723
Year 1909.....	1,600,000	*1,118,816
Year 1910.....	.....	626,682
Year 1911.....	649,238	645,866
Year 1912.....	1,400,000	1,490,809

	For Extraordinary Expenditures	For Sinking Funds
Year 1913.....	\$856,629
Year 1914.....	880,520
Year 1915.....	\$1,366,771	*941,130
Year 1916.....	968,795
Year 1917.....	*1,160,564
Year 1918.....	*1,202,758
Year 1919.....	*1,232,523
Year 1920.....	*1,267,379
Year 1921.....	†1,304,759

**Income applied to Sinking and other Reserve Funds.*

†Cancelled in 1922 through Profit and Loss.

On December 31, 1927, total stocks of a par value of \$5,112,320 were owned.

NEW YORK, PHILADELPHIA & NORFOLK R. R.

Dividends were paid prior to lease as follows :

1903	'04	'05	'06	'07	'08-'22
6%	8%	10%	*10%	11%	12%

**Also 25% in stock.*

Stockholders in June, 1920, approved lease of the property to the Pennsylvania R. R. for 999 years from July 1, 1920, for a rental equal to fixed charges and taxes, and 12% dividends. The lease became effective in 1922 as of July 1, 1920.

During 1908 the Pennsylvania R. R. secured all except \$7,250 of the \$2,500,000 New York, Philadelphia & Norfolk R. R. stock, giving in exchange for \$100 stock \$300 in 4% stock trust certificates, due 1948, guaranteed principal and interest by the Pennsylvania R. R.

The N. Y., P. & N. R. R. on December 31, 1927 owned \$1,450,000 stock of the P., C., C. & St. L. R. R. and \$261,250 preferred and \$250,000 common stock of the Baltimore, Chesapeake & Atlantic Ry. All these stocks excepting \$750,000 of P., C., C. & St. L. R. R. were held in sinking fund.

GRAND RAPIDS & INDIANA RY.

In 1900 1% was paid on the stock; in 1901, 2% was paid, and dividends at the rate of 3% per annum were paid from 1902 to April, 1910, inclusive. In October, 1910, the dividend was passed.

In August, 1922, the Interstate Commerce Commission approved lease of the Grand Rapids & Indiana Ry. to the Pennsylvania R. R. for 999 years from January 1, 1921, for an annual rental equivalent to fixed charges and 4% on the capital stock. Operation of the property was assumed soon after.

The following amounts prior to lease were appropriated from surplus earnings for extraordinary expenditures:

1906 (from income)	\$51,700	1912.....	\$50,526
1907.....	65,222	1913.....	55,085
1908.....	52,390	1914.....	111,467
1909.....	40,901	1915.....	255,000
1910.....	92,670	1916.....	300,000
1911.....	35,984	1917-21.....	None

A tentative valuation of \$22,533,087 as of June 30, 1917, was placed on the transportation property of this company by the Interstate Commerce Commission in July, 1924.

The Pennsylvania Co. prior to execution of the lease controlled the operation of this road through its ownership of stock. On December 31, 1927, the Pennsylvania Co. owned \$3,123,200 and Pennsylvania R. R. owned \$2,650,000 of the \$5,791,700 stock of Grand Rapids & Indiana Ry.

PITTSBURGH & LAKE ERIE R. R.

See Table, page 93.

Dividends have been paid since 1892 as follows:

1892 to 1906	1907	1908	1909 to 1927
10% yearly	12%	11%	*10% yearly

**In addition extra cash dividends were paid of 40% in February, 1910, 25% in March, 1911, 12% in March, 1912, 5% in March, 1913, 20% in August, 1916, and 10% in February, 1927. Also rights were given to subscribe at par to new stock.*

A stock dividend of 20% was paid December 17, 1927.

On December 31, 1908, \$10,000,000 stock was outstanding. Since that date additional stock has been sold at par to stockholders: 1909, \$5,000,000; 1910, \$6,000,000; 1911, \$4,200,000; 1912, \$4,788,000; 1916, \$5,997,600. Stock outstanding December 31, 1927, was \$43,182,720, of which the New York Central R. R. Co. owned \$21,591,720. The authorized amount is \$50,000,000, par value \$50.

Since July 1, 1902, \$31,988,000 of the \$43,182,720 outstanding capital stock has been issued for cash at par to stockholders. The proceeds were used for improvements, etc., including a large amount of four-tracking of the company's road.

On January 1, 1928, the entire mortgage debt of the company, consisting of \$2,000,000 1st Mortgage 6% and \$2,000,000 2nd Mortgage 5% bonds both maturing on the above date, was paid off out of current assets.

The Pittsburgh & Lake Erie R. R. has by far the largest average gross earnings per mile of any railroad treated in this book. The maintenance expenses have been unusually large.

An agreement was entered into in 1910 between the Pittsburgh & Lake Erie R. R. and the Western Maryland Ry., providing for a connection of the two at Connellsville, Pa., through the construction by Western Maryland of an extension, and for the establishment of through routes and joint rates for a term of 99 years from January, 1910. Line was opened in 1912. (See Western Maryland Ry.)

The Pittsburgh and Lake Erie R. R. and the New York Central R. R. each own about 40% of the \$3,959,650 capital stock of the Pittsburgh, McKeesport & Youghiogeny R. R. Co., on which dividends of 6% are paid. This property is leased by the P. & L. E. R. R., but net profit from operation is divided with New York Central R. R. It owned on December 31, 1927, \$32,017,388 in notes and on open account in equal amounts to the Pittsburgh & Lake Erie and New York Central.

Of the 37,976,843 tons carried by the Pittsburgh & Lake Erie in 1927, bituminous coal contributed 15,651,355, iron, steel, etc., 5,288,720 and iron ore 4,625,667 tons.

Owned main tracks at December 31, 1927, contained 377 miles of 115-pound rail, 72 miles of 100-pound rail, 4 miles of 90-pound rail, and 15 miles of 80-pound rail.

The installation of intermittent automatic train control devices was completed in 1926 on all main tracks between Pittsburgh and Youngstown.

Effective 1927 a third interest was purchased in the Monongahela Ry. by the Baltimore & Ohio from Pittsburgh & Lake Erie R. R. and Pennsylvania R. R. and from these three systems the Monongahela purchased the entire stock of the Chartiers Southern Ry. and from the Baltimore & Ohio the stock of the Indian Creek & Northern Ry. Several traffic agreements were made.

On December 31, 1927, Current Assets were \$13,179,493 (including \$3,299,515 Material and Supplies) and Current Liabilities, \$5,265,077. Credit balance to Profit and Loss was \$42,065,878; also included in Corporate Surplus were \$2,909,721 Additions to Property through Income and Surplus.

READING CO.

See Table, page 94.

Dividends have been paid since 1901 as follows:

	'01	'02	'03	'04	'05	'06-'09	'10-'12	'13-'25	*'26	'27
First Pfd. %.....	4	3	4	4	4	4	4	4	4	4
Second Pfd. %.....	0	0	1½	4	4	4	4	4	4	4
Common %.....	0	0	0	0	3½	4	6	8	10	8

*In December, 1926, an extra dividend of 2% (\$1) was declared payable in February, 1927, from 1926 earnings.

The first and second preferred stocks are limited to non-cumulative dividends at the rate of 4% in order of priority. The company has the right to convert the second preferred stock into one-half of first preferred and one-half of common stock.

The Reading Co. formerly owned the securities, real estate, equipment, etc., of the old Philadelphia & Reading R. R., also the \$42,481,700 stock and \$20,000,000 purchase money bonds of the Philadelphia & Reading Ry. and the \$8,000,000 stock of the Philadelphia & Reading Coal & Iron Co. In acquisition the Reading Co. had issued its own securities. Sale of the Coal Co. stock in accordance with segregation decree was accompanied by the merger effective January 1, 1924, of Reading Co. and operating subsidiaries. For 1924 Reading Co. reported for the first time as an operating company.

OWNERSHIP OF STOCK.

In 1903, the Baltimore & Ohio R. R. and Lake Shore & Michigan Southern Ry. purchased a large amount of stock of the Reading Co. On December 31, 1927, the Baltimore & Ohio R. R. and the New York Central R. R. each owned \$6,840,000 first preferred, \$15,015,000 second preferred, and \$13,145,000 common stock. Regarding purchases of part of these holdings in 1926, see under the two companies.

CONTROL OF "JERSEY CENTRAL," ETC.

In addition to the 1,093 miles owned or leased, at the close of 1927, apart from 44 miles operated under trackage right, the Reading Co. held controlling interests in 1,116 miles of road including the 643 miles of Central R. R. of New Jersey.

As of December 31, 1927, the Reading Co. owned \$14,504,000 stock (also \$30,000 in Insurance Fund) of the Central R. R. of New Jersey. To acquire the Central R. R. of New Jersey stock, the Reading Co. issued in 1900 \$23,000,000 collateral 4% bonds, \$3,017,650 first preferred stock, and \$1,713,750 second preferred stock. The \$14,504,000 Central R. R. of New Jersey stock is carried at \$23-713,242, or \$163.50 per share, on the books of the Reading Co. The \$30,000 stock is carried at \$174.625 per share.

This stock is in the hands of trustees appointed at court order to negotiate its sale, which, however, is in abeyance pending de-

termination by the Interstate Commerce Commission of a plan for railroad consolidations.

In 1924 Reading Co. and Lehigh Valley R. R. jointly purchased from Thomas Iron Co. (acquired by Reading Iron Co.) the entire \$800,000 stock (\$50 par) of Ironton R. R. at a cost of \$1,500,000. This road operates 13 miles, serving numerous cement and other industries in the Lehigh Valley, centering around Catasauqua and Hokendauqua, Pa. The property has been jointly leased.

The Reading Co. formerly owned \$1,000,000 Lehigh Valley R. R. stock. This was disposed of in 1909-10, at a profit of \$1,153,146.

PROPOSED LEASE OF L. & N. E. R. R.

A 999-year lease effective January 1, 1927, of the Lehigh & New England R. R. at \$1,069,000 annual rental free of all deductions and applicable to the stock was negotiated in 1926 and submitted to the Interstate Commerce Commission for approval. The company owns and operates 220 miles, extending from Tamaqua, Schuylkill County, Pa., to Campbell Hall, connecting with lines in New England. Practically all of the stock is owned by the Lehigh Coal & Navigation Co. In March, 1927, approval of the lease was denied, and no attempt was made to contest the refusal.

COAL SEGREGATION.

In April, 1920, the United States Supreme Court ordered the dissolution of the combination of Reading Co., Philadelphia & Reading Ry., Philadelphia & Reading Coal & Iron Co., Central Railroad Co. of New Jersey, and Lehigh & Wilkes-Barre Coal Co. In accordance with this decision, Reading Co. in February, 1921, filed a plan for segregation of the properties. As later modified this plan in June, 1921, was made effective. Appeals were taken by certain common and later preferred stockholders, regarding the participation by preferred stockholders in the segregation. In May, 1922, the Supreme Court upheld the right of preferred stockholders to share equally with common in any distribution of capital assets. In addition the Supreme Court directed modification of the plan as regarded apportionment of liability for the General Mortgage bonds between the Reading Co. and Philadelphia & Reading Coal & Iron Co. so as to completely sever relations between them. A protective committee was formed for bondholders to negotiate this modification with the Reading companies.

The first modified plan had provided for assumption of the joint 4% General Mortgage bonds by the Reading Co.; general releases between Coal Co. and Reading Co. on payment to the latter of \$10,000,000 (in cash or current assets) and \$25,000,000 4% bonds, due 1997; sale of Coal Co. stock to Reading stockholders at \$4 a share (to extent of 50% of stockholdings); merger of Reading Co. and P. & R. Railway Co.; trusteeing of stock of Central R. R.

of New Jersey; and sale of Lehigh & Wilkes-Barre Coal Co. stock by the latter.

The second modified plan, filed on January 30, 1923, proposed to close the General Mortgage at the amount \$94,627,000 outstanding and divide liability therefor, the Reading Co. assuming two-thirds and the Coal Co. one-third. The Reading Co. would then have created a new mortgage under which \$56,776,200 Series A 4% bonds due 1997 would have been issuable and the Coal Co. a new mortgage limited to \$28,388,100 4½% bonds due 1973. The Reading Co. and the Coal Co. would then have offered to exchange for each \$1,000 of General Mortgage bonds, \$100 cash, \$600 of the new Reading Co. 4% bonds and \$300 of the new Coal Co. 4½% bonds. The second modified plan also proposed sale to the Coal Co. by the Reading Co. of its \$1,000,000 stock of Reading Iron Co. for \$8,000,000 after the Iron Co. had paid to Reading Co. a dividend of \$6,000,000. It also proposed, as in the original plan, giving general releases between Reading Co. and Coal Co. on payment by latter of \$10,000,000 in cash or current assets, but after payment by Reading Co. of current indebtedness of \$2,500,000 to Coal Co., and without payment by Coal Co. to Reading Co. of \$25,000,000 bonds, as original plan had provided.

Objections to these terms were filed in behalf of bondholders, and preferred and common stockholders. At date for hearing these objections, May 10, 1923, the Reading Co. and Coal Co. submitted a third modified plan, which was accepted by representatives of bondholders but objected to by certain stockholding interests. On May 22, however, the Court approved the plan, and final decree was filed June 28, 1923. Stockholders decided to carry objections no further.

FINAL SEGREGATION TERMS.

Principal features of the segregation carried out under this decree were as follows:

1. Liability for \$94,266,000 (amount of \$94,627,000 reduced in 1923 by sinking fund) General Mortgage 4s of 1997 was apportioned two-thirds to Reading Co. and one-third to Coal Co. Reading Co. executed a new open mortgage, issuing \$62,723,666⅔ Series A 4½% General (eventually First) and Refunding Mortgage bonds, due 1997, carrying no sinking fund provision (additional bonds in other Series issuable against 80% future acquisitions and improvements or for refunding equal amounts of Reading Co. or Ry. obligations prior to General Mortgage); and the Coal Co. executed a Refunding Mortgage covering its entire property (subject to General Mortgage) and limited to \$31,542,333⅓ 5% bonds, due 1973, carrying sinking fund of five cents per ton of coal mined. These bonds were exchangeable \$666⅔ 4½% and \$333⅓ 5% bonds for each \$1,000 of the General Mortgage 4% bonds.

2. General releases from intercompany claims (including Coal

Co.'s book debt of \$69,357,018) were given on payment by Reading Co. to Coal Co. of \$2,500,000 and by Coal Co. to Reading Co. of \$10,000,000.

3. Reading Co. sold to Coal Co. for \$8,000,000 the Reading Iron Co. stock (par value \$1,000,000), Reading Iron Co. having first paid a \$6,000,000 dividend to Reading Co. (Reading Iron Co. purchased \$2,500,000 stock of Thomas Iron Co.)

4. New Coal Corporation paid Reading Co. \$5,600,000 for the \$8,000,000 stock in Philadelphia & Reading Coal & Iron Co.

5. New Coal Corporation issued 1,400,000 no-par shares offering them at \$4 per share equally to Reading Co. preferred and common stockholders (thus reimbursing itself for the \$5,600,000 paid to Reading Co.).

6. Reading Co. merged Philadelphia & Reading Railway Co. and twelve other subsidiaries into one consolidated operating company. The latter assumed operation January 1, 1924.

Summarized, as result of these transactions Reading Co. received a net amount of \$27,100,000 in cash or its equivalent in return for stock of the P. & R. Coal Co. (and general releases of claims as between that company and it) and for stock of Reading Iron Co., and was absolved from liability for \$31,542,333 bonds and from maintaining sinking fund for \$62,723,667 bonds remaining (interest on these latter increased from 4 to 4½%).

In carrying out this plan, Reading Co. stockholders of record December 17, 1923, were given the right to subscribe at \$4 for one certificate of interest in P. & R. C. & I. Corporation stock (one share) for each two shares held. No dividends have been paid on the Coal Corp. stock, for which, in order to receive dividends, holders were required to exchange certificates of interest. Prior to April 1, 1928, certificate holders were required to exchange for stock, giving affidavit as to non-ownership of Reading Co. stock.

To the close of 1927, 935,117 certificates of interest had been exchanged for definitive shares of stock, leaving 464,883 certificates unexchanged, including 353,325 held by Baltimore & Ohio R.R. and the Estate of P. A. B. Widener. In December, 1927, court approval was given to transfer of the B. & O. and Widener holdings to the National City Bank of New York as trustee, for the purpose of exchange into definitive shares and subsequent sale in accordance with a trust agreement.

Of the \$62,723,666⅔ General and Refunding 4½% bonds, issuable by Reading Co. in exchange for General Mortgage 4% bonds, \$62,687,333 had been issued to December 31, 1927. Of the issued bonds \$3,093,667 were held by Reading Co.

Of the \$94,627,000 General Mortgage 4% bonds, dealt with in the segregation plan, all excepting \$292,000 had been exchanged as of April 1, 1927. By deposit of \$292,000 Liberty bonds with the trustee, there was secured satisfaction of the mortgage, and by cancellation

of collateral held under the General Mortgage, the new General and Refunding Mortgage became a first lien upon the Philadelphia-Harrisburg, Pittsburgh-Tamaqua, and Hazelton-Northern branches.

FORMER COAL INVESTMENT.

On December 1, 1896, Reading Co. carried on its balance sheet \$68,154,679 due from Philadelphia & Reading Coal & Iron Co. for advances for cost of its property in excess of its \$8,000,000 capital stock (also owned). As of December 31, 1922, Reading Co. held due from the P. & R. C. & I. Co. \$69,357,018. Payments on this account were irregular. The last payment to Reading Co. was \$2,269,405 in 1912-13; in 1911-12 \$864,084 was paid; and in the ten years ending June 30, 1911, aggregate of about \$13,000,000 was reported to have been paid. No dividends were ever paid by the Coal Co. to Reading Co.

In effecting segregation, the Coal Co. paid Reading Co. \$10,000,000 in cash or current assets at market value, and Reading Co. paid the Coal Co. \$2,500,000 account current indebtedness, general releases of all claims and liabilities as between the companies being exchanged. The \$8,000,000 stock of the Coal Co. was sold to the new Coal Corp. for \$5,600,000.

READING IRON CO.

The Reading Co. prior to segregation of the coal property owned the total \$1,000,000 capital stock of the Reading Iron Co. Dividends were contributed to Reading Co. prior to sale of this stock as follows:

	Dividends Declared		Dividends Declared
1923.....	*\$3,000,000	1915.....	\$810,000
1922.....	*3,000,000	1914.....	560,000
1921.....	30,000	1913.....	60,000
1920.....	810,000	1912.....	60,000
1919.....	1,560,000	1911.....	1,060,000
1918.....	3,560,000	1910.....	60,000
1917.....	1,060,000	1909.....	1,560,000
1916.....	1,060,000		

**Paid in securities, in accordance with Reading Co. segregation plan.*

In effecting segregation in 1923 Reading Co. sold to P. & R. Coal and Iron Co. the \$1,000,000 stock of Reading Iron Co. for \$8,000,000 after payment by the Iron Co. of \$6,000,000 dividend (paid \$3,000,000 in 1922 and a like amount in 1923).

P. & R. RY.—READING CO.

Appropriations for improvements, additions, etc. (not including amounts expended by the Coal & Iron Co.) have been made from income as follows:

1907-8	\$937,659	1918	\$6,858,568
1908-9	1,805,722	1919	4,500,100
1909-10	2,070,661	1920	2,538,571
1910-11	3,353,559	1921	3,055,961
1911-12	2,629,740	1922	1,811,978
1912-13	2,391,562	1923	3,217,332
1913-14	2,024,783	1924	3,577,343
1914-15	1,161,691	1925	4,090,292
1916	995,660	1926	4,670,000
1917 (18 months).....	3,785,381	1927	3,620,000

In 1925, \$8,411,159 additional was appropriated from Profit and Loss. The total of Additions to Property through Income and Surplus were shown at \$90,798,743 in the December 31, 1927, balance sheet.

The tentative valuation served on the Reading System as of June 30, 1917, for total used property was \$200,927,187. The similar valuation for controlled roads (excluding C. R. R. of N. J.) was \$22,-797,120.

CHARACTER OF TRAFFIC.

Tonnage of the different classes of freight compares in different years as follows:

	1900	1924	1925	1926	1927
Anthracite ..	11,953,263	13,050,187	11,589,089	13,089,144	12,876,969
Bituminous .	5,084,485	19,291,092	22,488,706	25,253,774	22,886,375
Other	14,192,019	28,859,386	29,976,987	32,414,703	29,574,739
Totals ..	31,229,767	61,200,665	64,054,782	70,757,621	65,338,083

Anthracite tonnage was 55% of the total in 1895, 38% in 1900, 21% in 1924, 18% in 1925, 18.5% in 1926, and 19.7% in 1927.

All coal provided 54.7% of tonnage in 1927 (54.2% in 1926; 53.2% in 1925) and 48.6% of revenues from freight (48.5% in 1926; 45.6% in 1925).

WEIGHT OF RAIL.

Owned main track, 1,787 miles, including second and additional tracks, of Reading Co. on December 31, 1927, contained:

701 miles of 130-pound rail,	61 miles of 79-85-pound rail,
666 " " 100- " "	22 " " 76- " "
310 " " 90- " "	27 " " 70- " "

BALANCE SHEET.

The balance sheet of Reading Co. on December 31, 1927, showed investment in road and equipment \$318,593,072 (subject to \$51,877,881 depreciation), miscellaneous physical property \$13,494,502, investments in affiliated companies \$43,317,998 (including \$28,686,478 advances carried at \$8,642,255 value), other investments \$39,084,468; total investments \$415,300,121; funded debt outstanding \$120,150,363 (including \$1,638,000 equipment obligations owned by subsidiaries), stock outstanding \$139,950,950; total capital obligations, \$260,101,313; current assets \$17,503,651 (including \$7,512,212 Material and Supplies), current liabilities \$12,238,683; credit balance to Profit and Loss \$9,161,625; Total Corporate Surplus (including \$90,798,743 additions to property through income and surplus and \$1,738,000 funded debt retired through income and surplus) \$101,698,369.

Among securities held other than those of affiliated companies were \$5,438,350 U. S. Government bonds, practically all unpledged, \$5,887,000 Bethlehem Steel Corp. Improvement and Purchase Money Mortgage bonds, unpledged, and \$631,200 stock of Lehigh & Hudson River Ry., unpledged. Also \$2,000,000 5% mortgage bonds of the Philadelphia Grain Elevator Co., guaranteed by Reading Co., were held, acquired in 1927.

Of its own bonds Reading Co. owned \$3,093,667 of the General and Refunding 4½% bonds, \$1,466,000 Reading Co.—Jersey Central collateral bonds, \$12,330,000 equipment trust certificates, and various other issues.

ULSTER & DELAWARE R. R.

See Table, page 95.

From 1913-14 to and including 1922, dividends of 3% annually were paid on the stock of this company. No dividends were paid prior to 1913-14. In 1923, sinking fund reserves in the form of Cornell Steamboat Co. notes amounting to \$1,250,000 were distributed pro-rata to stockholders, the distribution being equal to approximately 65.8%.

The bonds of this company consist of \$2,000,000 First Consolidated Mortgage 5s due June 1, 1928 and \$1,000,000 First Refunding Mortgage 4s due 1952.

In anticipation of default of the First Consolidated Mortgage 5% bonds, due June 1, 1928, a committee was formed in November, 1927. The facts relating to the conveyance in 1913 by the company to the City of New York of part of its railroad lines (released from the lien of the Consolidated Mortgage) and the subsequent distribution to the company's stockholders of \$1,250,000, being part of the funds received in this transaction were investigated. The committee called upon the trustee to take legal action in

behalf of the bondholders, and requested deposit of the bonds to insure combined representation.

Products of mines, mostly anthracite coal, in 1927 were 76.7% (1926, 77.9%; 1925, 79.7%; 1924, 76.7%; 1923, 68.8%; 1922, 60.5%; 1921, 76.5%) of the total freight tonnage.

A final valuation as of June 30, 1916, of \$2,002,500 has been placed on property owned and used by the company.

Current Assets on December 31, 1927, were \$246,091 (including \$171,083 Material and Supplies) and Current Liabilities were \$157,938. Credit balance to Profit and Loss was \$478,313 and Appropriated Surplus \$64,810.

WEST JERSEY & SEASHORE R. R.

See Table, page 96.

The guaranteed stock receives 6% annually, paid June and December. The common stock (\$50 par) received 6% in 1906 and 1907, the rate having been increased from 5% in September, 1905. In 1908 the rate was reduced to 4%. In 1909, 4½% was paid. In 1910 and to and including 1920, 5% was paid (April and October). No dividend was paid in 1921 and 1922. In 1923 and 1924, 4%, and in 1925, 5% dividends were paid, April and October. In 1926, 1927, and 1928, 3% was paid in April and 2½% in October.

The Pennsylvania R. R. owned as of December 31, 1927, \$6,747,900 common and \$45,350 guaranteed stock of this company.

In 1904, the stockholders subscribed to \$1,264,000 stock, and in 1906 to \$3,425,550 new common stock at par. In August, 1916, stockholders subscribed to new common stock at par to the extent of 20% of holdings.

In 1913, stockholders agreed to lease the road to Pennsylvania R. R. for 999 years at a rental providing 6% dividends on the stock. The Public Service Commission of New Jersey refused to sanction the proposed lease. The Pennsylvania R. R. carried the case to the New Jersey Court of Appeals, which, however, sustained the action of the Public Service Commission. Stockholders in April, 1922, authorized appointment of a committee again to consider a lease. The committee in 1923 reported that as operating conditions had not been normal for some years, satisfactory terms could not be determined. Negotiations were accordingly deferred.

The following appropriations have been made from surplus earnings account of Extraordinary Expenditures:

1902.....	\$463,137	1910.....	\$243,193
1903.....	152,310	1911.....	221,615
1904.....	331,254	1912.....	327,007
1905.....	332,990	1914.....	182,750
1908.....	78,200	1916.....	369,350
1909.....	277,789	1917-27.....	None

Of 1927 operating revenues, only 44% represented freight transportation.

Largely due to the competition of motor bus service and privately operated automobiles, stimulated by the Delaware River Highway Bridge, the loss in passenger revenue in 1927 was over \$1,139,000, the passenger mileage and revenue each showing a decrease of approximately 16%. Compared with 1923, the passenger mileage and revenues each decreased 25%. Due to the large dependence of the road on passenger traffic, the Net Railway Operating Income showed a decrease in 1927 of 44.3% as compared with 1926; return on Investment in Road and Equipment was 2.21% in 1927 compared with 3.81% in 1926 and 4.55% in 1925.

The company controlled, owning their \$210,250 stocks, and operated, under lease on net earnings basis, the Cooper's Point & Philadelphia Ferry Co. and the Kensington & New Jersey Ferry Co. Since the opening of the Delaware River Bridge in July, 1926, the traffic of the two ferries diminished so that operating expenses were not earned. Late in 1926 the ferry service was abandoned and the equipment subsequently sold.

All of this company's bonds (First Consolidated Mortgage) bear interest at $3\frac{1}{2}\%$ and 4%. The First Consolidated Mortgage for \$7,000,000 was authorized in 1896 and all the bonds issued are due July 1, 1936.

The stockholders in 1915 authorized the execution of a mortgage to secure bonds not exceeding \$13,000,000, sufficient bonds to be reserved to retire Consolidated Mortgage bonds at maturity. No bonds have been issued.

Current Assets on December 31, 1927, were \$1,424,054 (including \$286,516 Material and Supplies, and Current Liabilities were \$1,624,988. Credit balance to Profit and Loss was \$2,359,583. Also in Corporate Surplus were \$5,402,037 Additions to Property through Income and Surplus and \$1,787,437 Funded Debt Retired through Income and Surplus.

AKRON, CANTON & YOUNGSTOWN RY.

See Table, page 97.

An initial dividend was paid at the rate of 4% in October, 1925, on the \$1,500,000 stock of the company and has been continued.

In addition to 19 miles of line owned, the company operates under lease 152 miles of the Northern Ohio Ry., making a total of 171 miles of line extending from Mogadore, Ohio, to Delphos, Ohio. All of the \$3,580,000 common stock of the Northern Ohio Ry. together with \$474,900 of the \$650,000 non-cumulative 5% preferred is owned by the Akron, Canton & Youngstown Ry., or 96% of total stock. Originally the road was leased for 999 years from April 1, 1895, to the Lake Erie & Western R.R. but as of

April 1, 1920, the lease was transferred to Akron, Canton & Youngstown Ry. for 999 years from that date at a rental equal to net earnings. The \$2,500,000 (authorized \$4,000,000) First Mortgage 5% bonds due 1945 of the Northern Ohio Ry. are guaranteed principal and interest by Akron, Canton & Youngstown Ry. No dividends have been paid on the stocks.

The funded debt of Akron, Canton & Youngstown Ry. consists of \$1,500,000 First Mortgage 6% bonds due July 1, 1930, total authorized, redeemable at 105, and \$750,000 Series A 6% and \$1,300,000 Series B 5½% General & Refunding Mortgage bonds, due 1945, redeemable at 105 to April 1, 1935 and at 100 plus ½% premium for each year to maturity. The Series A bonds were sold in April, 1925, \$800,000 Series B in January, 1926 and \$500,000 Series B in April, 1928. A total of \$1,950,000 additional General & Refunding bonds is authorized of which \$1,500,000 are reserved to refund the First Mortgage bonds.

At December 31, 1927, the Current Assets of the Akron, Canton & Youngstown Ry. were \$1,283,257, including \$163,308 Material and Supplies, and Current Liabilities were \$1,052,988. Credit balance to Profit and Loss was \$1,660,840 and Appropriated Surplus \$712,111. The Northern Ohio Ry. after accruing \$125,000 interest on bonds showed income of \$75,878 in 1927 and deficits of \$34,985 in 1926 and \$25,377 in 1925; debit balance to Profit and Loss was \$5,394,551 on December 31, 1927.

ANN ARBOR R. R.

See Table, page 98.

A direct line of railroad is operated from Toledo to Frankfort on northern Lake Michigan with car ferries thence to Manistique, Menominee, Kewaunee and Manitowoc. The ferries transported 84,359 cars in 1927, 88,780 in 1926, and 80,272 in 1925 compared with 32,000 in 1910. Ann Arbor R. R. owns the entire \$10,000 stock of Ann Arbor Boat Co. and guarantees \$800,000 Boat Co. 6% serial bonds sold in 1924 (discount and expense, \$80,506) for acquisition of a new 30-car steel ferry which was placed in service in February, 1925.

The preferred stock is entitled to and is limited to non-cumulative dividends of 5% per annum. No dividends have been paid on this stock.

CONTROL BY WABASH RY.

The Wabash Ry. in July, 1925, applied to the Interstate Commerce Commission for authority to acquire control of Ann Arbor R. R. through purchase of 8,400 shares of preferred and 6,935 shares of common stock in addition to 10,929 preferred and 13,352 common shares of Ann Arbor R. R. stock then held. It was re-

ported in May, 1925, that a block of this stock had been taken over from bankers at cost of \$62.50 per preferred and \$35 per common share. At the close of 1925, \$2,591,900 preferred and \$2,261,200 common stock, representing 66.94% control, was owned. Up to April 1, 1926, the Wabash Ry. offered to purchase additional stock at 70 for the preferred and 45 for the common stock. At December 31, 1927, \$7,027,100 stock, or 96.93% of total, was held by Wabash Ry.

GENERAL.

In March, 1925, \$1,000,000 5-year 6% notes secured by pledge of \$2,000,000 Improvement and Extension 6% bonds were sold. Sinking fund of \$100,000 annually in March, 1927, 1928 and 1929 is applied to purchase or redemption of the notes.

Non-negotiable debt to affiliated companies at the close of 1927 included notes to Wabash Ry., as follows: \$150,000 dated July 1, 1926, due June 1, 1927, but renewed at 4½%, \$150,000 dated January 31, 1927, at 6%, \$100,000 dated March 9, 1927, at 6%; to New Jersey, Indiana & Illinois R. R., \$25,000 dated March 17, 1926, due March 16, 1927, but renewed at 4½%.

The Interstate Commerce Commission has served a tentative "final value" on the Ann Arbor as of June 30, 1915, amounting for the system (including Menominee & St. Paul Ry.) to \$11,127,277 against a value of \$17,341,338 on carrier's books at that date and capitalization of \$8,223,304 funded debt and \$7,300,000 stock. In August, 1924, this valuation was made final. In 1925 the company stated that on this basis with subsequent additions the value of the property exceeded \$17,000,000.

A contract was negotiated under date of April, 1922, with the Pennsylvania R. R. for use of 4.37 miles of Ann Arbor main track connecting at Toledo and construction of an additional track for joint use, estimated cost of \$560,000 to be provided by the Pennsylvania. On this account in 1924 \$631,281 was credited to Profit and Loss (transferred in 1925 to Additions to Property through Income and Surplus) by Ann Arbor R. R.

Rail in main track at December 31, 1927, included 3 miles of 100-pound, 20 miles of 90-pound, 248 miles of 85-pound, 17 miles of 80-pound, and 7 miles of 70-pound weight.

The balance sheet of December 31, 1927, showed Current Assets \$1,285,493 (including \$500,445 Material and Supplies) and Current Liabilities \$1,753,538 (including \$312,000 Loans and Bills Payable). Credit balance to Profit and Loss was \$4,270,076 and Appropriated Surplus \$764,494.

HISTORICAL.

In 1905, the Detroit, Toledo & Ironton Ry. acquired \$3,010,000 preferred stock (holdings afterwards increased to \$3,102,400) and \$2,190,000 common stock of the Ann Arbor R. R. These two rail-

roads formed what was known as the Detroit, Toledo & Ironton—Ann Arbor System. The Ann Arbor R. R. stock was used as collateral for an issue of 5% notes of the D. T. & I. Ry.

On February 1, 1907, receivers were appointed for the Detroit, Toledo & Ironton Ry., that company having defaulted in the payment of interest on its 4½% Consolidated Mortgage bonds. The principal and interest on the note issue was likewise defaulted.

In 1910, the Ann Arbor stock and other collateral securing \$5,500,000 Detroit, Toledo & Ironton Ry. notes were sold at auction to a protective committee. In 1911, the Ann Arbor Co. was incorporated with a capital of \$7,250,000, to own among other securities the Ann Arbor R. R. stock previously deposited as collateral under the above mentioned notes. The railroad stock was subsequently distributed share for share for preferred and common stock of the Ann Arbor Co.

CHICAGO & ALTON R. R.

See Table, page 99.

The cumulative prior lien stock is entitled in addition to prior right to 4% cumulative dividends, to receive dividends equal to the rate declared on the common stock. The prior lien stock received 8% in 1908-9, 6% in 1909-10, 4% in 1910-11 and 1911-12. No dividends have since been paid on this stock. The preferred stock is entitled to 4% non-cumulative dividends, and it received 4%, January and July, until July, 1911, when the dividend was passed. In August, 1908, an initial dividend of 1% was paid on the common stock; in 1909, 4% was paid. The dividend on the common stock was passed in February, 1910.

RECEIVERS APPOINTED.

On August 30, 1922, receivers were appointed for the Chicago & Alton R. R., the company joining in the petition. It was stated that, owing to strikes, current resources had been exhausted and operations could not have been continued without accumulating a large floating debt. For several years the Chicago & Alton had been unable to meet all the interest on \$16,834,000 6% General Mortgage bonds, but the Union Pacific R. R. (owning one-half), Mrs. E. H. Harriman, and other holders had permitted the default in hope that earning power would be restored.

Notes were given for the unpaid interest on the General Mortgage bonds as it accrued. Such notes, it was stated in the 1926 annual report, represented general claims to be adjusted in reorganization.

Protective committees were formed for the \$22,000,000 3½% First Lien bonds due 1950 and for the \$45,350,000 3% Refunding

bonds due 1949; likewise for stockholders and guaranteed stockholders.

Interest on the Refunding 3s has been maintained within the six-months' grace period since October 1, 1922. Payment was opposed by minority holders of Kansas City, St. Louis & Chicago R. R. (leased line) stock. Interest on the First Lien 3½s was defaulted January 1, 1923. Suit to cancel lease of its property was begun in November, 1923, by the Joliet & Chicago R. R.

GENERAL.

Prior to 1907, the Chicago, Rock Island & Pacific Ry. had acquired \$6,380,000 preferred stock and \$14,420,000 common stock of the Chicago & Alton R. R. In 1907, practically these entire holdings were sold to the Toledo, St. Louis & Western R. R. See latter company (under New York, Chicago & St. Louis R. R.) for terms of purchase.

In settlement of litigation over defaulted (1917) bonds issued by Toledo, St. Louis & Western R. R. to acquire this stock (\$5,047,000 Series B bonds owned by the Rock Island and \$6,480,000 Series A bonds, of which the Rock Island owned \$400,000), the Chicago & Alton stock pledged was distributed beginning January, 1922, in the ratio of 12.5 shares of common and 5.6 shares of preferred stock for each \$1,000 bond and the bonds cancelled. This distribution ended ownership by Toledo, St. Louis & Western of Chicago & Alton stock. The Rock Island on January 6, 1922, owned 35,120.5 shares of common and 68,140.5 shares of preferred stock of the Chicago & Alton R. R. In 1922 the Rock Island sold 40,800 shares of the preferred and 14,400 shares of the common stock and wrote remaining holdings of preferred down to \$3.50 per share and of common to \$2 per share. Practically all the balance of this stock was sold in 1923.

The Union Pacific R. R. owned \$10,343,100 preferred stock of the Chicago & Alton R. R.; also \$8,417,000 General Mortgage 6% bonds (one-half the entire issue outstanding) and \$811,000 equipment obligations of the Chicago & Alton R. R. In 1922 Union Pacific wrote out of the balance sheet its holdings of preferred stock, charging to the \$50,000,000 Reserve for Depreciation of Securities \$8,946,782, total cost of the preferred, and \$6,312,750 of the cost of the General Mortgage bonds. During 1924 \$1,250,000, and during 1925 \$9,093,100, preferred stock was sold, the proceeds, \$1,557,353, being credited to the Reserve fund. The bond holdings were retained by Union Pacific R. R. December 31, 1927.

SURPLUS AND MAINTENANCE.

The table below indicates the amount expended annually for maintenance of way and of equipment, likewise the surplus or deficit and dividend payments.

Year	Maintenance Expenses		Surplus	Dividend Payments
1906-7	\$3,027,379		\$1,827,561	\$817,332
1907-8	2,930,677		1,320,912	1,021,153
1908-9	2,469,020		1,666,261	1,633,816
1909-10	2,990,187		1,071,988	1,225,374
1910-11	4,135,915		157,722	408,466
1911-12	4,590,668	def.	303,722	35,172
1912-13	5,929,145	def.	1,883,291	.....
1913-14	5,657,756	def.	2,762,290	.....
1914-15	4,982,484	def.	1,690,156	.....
1915-16	5,270,352	def.	171,578	.....
1917	6,674,631	def.	47,092	.....
1921	12,531,606	def.	2,059,532	.....
1922	10,879,439	def.	2,490,482	.....
1923	12,660,983		1,117,145	.....
1924	11,180,468	def.	175,804	.....
1925	10,726,490		41,283	.....
1926	11,448,696	def.	498,758	.....
1927	9,667,782	def.	1,685,280	.....

Total tonnage carried and amount of bituminous coal have been as follows:

	Total	Bit. Coal
1927.....	10,622,601	2,765,102
1926.....	12,690,033	4,425,650
1925.....	12,898,974	4,868,896
1924.....	12,616,257	5,039,593
1923.....	13,507,046	5,871,986
1922.....	10,143,898	3,903,804
1921.....	11,109,804	5,358,530

At December 31, 1927, there were served 46 coal mines of 83,-970 tons daily productive capacity.

Main line December 31, 1927, contained 200 miles of 100-pound rail, 553 miles of 90-pound rail, 156 miles of 80-pound rail, and 56 miles of 78-pound rail. Branches contained 13 miles of 90-pound rail, 85 miles of 80-pound rail, 79 miles of 78-pound rail, 19 miles of 70-pound rail, and 48 miles of 52-65-pound rail.

Ballast in main line, December 31, 1927, consisted of 360 miles stone, 279 miles gravel, 92 miles cinders and 244 miles slag. The 240 miles of branches were practically all ballasted with cinders.

BALANCE SHEET.

The balance sheet as of December 31, 1927, showed Current Assets \$4,808,473 (including \$1,294,092 Material and Supplies) and Current Liabilities \$27,093,286 (including \$2,326,060 Loans and Bills Payable and \$20,273,265 Interest and Dividends Matured

and Unpaid). Debit balance to Profit and Loss was \$26,912,123, Additions to Property through Income and Surplus \$17,623,463, and other Appropriated Surplus \$180,599.

CHICAGO & EASTERN ILLINOIS RY.

See Table, page 100.

Receivers were appointed in May, 1913, for this company, also for the St. Louis & San Francisco R. R. (see St. Louis-San Francisco Ry.). Reorganization was completed in 1921.

Prior to receivership dividends were paid as follows (fiscal years):

	'04-5	'05-6	'06-7	'07-8	'08-9	'09-10	'10-11	'11-12	'12-13
Preferred %...	6	6	6	6	6	6	6	6	4½
Common %....	5	13	10	10	2	8	9½	5	0

During the eleven fiscal years from July 1, 1902, to June 30, 1913, inclusive, the company reported surplus earnings of \$10,984,716; during this period \$11,104,727 was paid in dividends.

No dividends have been paid on stocks of the reorganized company.

REORGANIZATION.

Under date of March 31, 1921, a plan of reorganization was announced. This plan was declared effective in November and the new Railway Co. took over the property for operation on January 1, 1922.

Capital outstanding, including unfunded debt and stock, was reduced from \$94,204,448 to \$91,033,750, and fixed interest charges from about \$3,759,996 to \$2,327,051 annually.

A Prior Lien Mortgage, limited to \$50,000,000 and subject to the lien of \$9,347,600 undisturbed obligations, and a General Mortgage, limited to \$35,500,000, were created. In the reorganization \$5,262,500 Prior Lien 6% Series A bonds were issued, \$4,281,300 of which were deposited as collateral for Government loans. The balance are held in the treasury. No Prior Lien bonds at the time were issued to the public. In 1923, \$984,900, and in 1924, \$2,605,300 Prior Lien Series B 5½% bonds were issued by the trustee against capital expenditures and are held in the treasury unpledged, also \$981,200 Series A bonds released in 1926 upon payment of \$785,000 note to the Government. Of the General Mortgage bond issue, at December 31, 1927, \$141,364 had been cancelled and \$1,554,700 reacquired by sinking fund. Payment to sinking fund is \$177,500 annually May 1 if earned but cumulative. Bonds are held alive in the fund.

Preferred stock amounting to \$22,051,050 was authorized for exchange for \$18,019,000 Refunding and Improvement 4% bonds of the old company and \$4,032,050 other bonds. This stock is limited

to 6% dividends cumulative from January 1, 1924. A total of \$24,135,100 common stock was authorized to be issued, including \$19,367,900 for an equal amount of assessments paid. An assessment of \$30 a share was payable on both the old preferred and common stocks, stockholders or underwriters receiving \$30 in General Mortgage bonds, and \$100 in new common stock.

There remained \$2,969,000 bonds, \$2,168,600 equipment notes and \$4,210,000 Government notes undisturbed in the reorganization. Cash required to carry out the plan was estimated at \$16,110,370.

Properties covered by the Purchase Money First Lien Coal bonds of the R. R. Co. and that of the Evansville and Indianapolis R. R. Co. and of the Chicago and Indiana Coal Ry. Co. were not acquired by the New Company and not provided for in the plan. In April, 1922, \$450 new common stock was offered for \$1,000 Chicago and Indiana Coal Ry. 1st 5s.

CONTROL BY THE "FRISCO."

On June 30, 1915, the St. Louis & San Francisco R. R. held a majority (\$8,102,500) of the preferred and \$6,777,800 of the common stock of the R. R. Co. This stock was acquired in 1902 by the "Frisco," which gave a \$100 preferred stock trust certificate bearing 6% interest for each \$100 share of preferred stock and a \$100 common stock trust certificate bearing 10% interest for each \$100 share of common stock. The "Frisco" agreed to pay \$150 in gold for the preferred stock trust certificates and \$250 in gold for the common stock certificates, on or before July 1, 1942. Interest on the stock certificates was defaulted July, 1913, following the appointment of receivers for the "Frisco." It was announced in 1916 that the "Frisco" would relinquish its interest in the Chicago & Eastern Illinois R. R. The holders of the certificates received the C. & E. I. R. R. stock deposited as collateral. The preferred certificate holders also received \$18 in "Frisco" new preferred and \$2.50 in common stock. The common certificate holders likewise received "Frisco" stock to the amount of \$30 in new 6% preferred and \$4.25 in new common.

ACQUISITION OF E. & T. H. R. R.

In 1904-5 and later, the Chicago & Eastern Illinois R. R. acquired \$3,186,450 of the \$3,987,383 common stock of the Evansville and Terre Haute R. R. In 1911 this company and the Evansville Belt R. R. were merged into the C. & E. I. system. Holders of Evansville & Terre Haute R. R. common stock and of Evansville Belt R. R. stock were offered 83⅓% and 100% respectively in C. & E. I. preferred stock, this offer calling for the issuance of \$3,216,000 C. & E. I. preferred stock. Holders of Evansville & Terre Haute R. R. preferred stock (\$1,283,333) were offered in exchange at par Evansville & Terre Haute

R. R. Refunding Mortgage 5% bonds (a new bond issue, limited to \$1,284,000).

On the Evansville & Terre Haute R. R. preferred stock 5% dividends had been paid since 1900. On the common, 5% was paid in 1910-11, and 4% from 1905-6 to 1909-10 inclusive. The Evansville & Terre Haute R. R. owned and transferred to the C. & E. I. R. R. the entire \$2,000,000 stock of the Evansville & Indianapolis R. R. (146 miles). The \$2,500,000 6% bonds of the latter had the guarantee of the Evansville & Terre Haute R. R. In 1916, the C. & E. I. R. R. relinquished control of the Evansville & Indianapolis R. R. which was reorganized in 1920.

GENERAL

The Chicago & Eastern Illinois Ry. owns stock in other companies as follows:

	Amount Issued	Owned by C. & E. I.
Chicago & Western Indiana R. R. Co.....	\$5,000,000	\$1,000,000
Belt Ry. Co. of Chicago	2,880,000	240,000
Southern Illinois & Missouri Bridge Co....	50,000	10,000
Missouri & Illinois Bridge & Belt Ry. Co....	143,000	13,000
Chicago Heights Terminal Transfer R. R. Co...	500,000	500,000

During receivership (May 27, 1913-December 31, 1921) the property was greatly improved and capacity increased. A total of approximately \$15,855,000 was expended for improvements and extensions, not including deferred maintenance of equipment and roadway. About 317 miles of roadbed was widened; stone and chatt were used to replace inferior ballast; heavier tie and rail renewals were made; and bridges, etc., were replaced or strengthened.

Effective August 1, 1927, the company purchased the entire capital stock of the Chicago Heights Terminal Transfer R. R. Co., for \$1,187,500 cash. This is a terminal and switching railroad connecting seven railroads in the South Chicago district, its main track is seven miles and yards and additional tracks comprise 16 miles.

Main, second and third track owned and maintained December 31, 1927, contained:

71 miles of 100-pound rail,	10 miles of 70-pound rail,
514 " " 90- " "	4 " " 67- " "
137 " " 85- " "	45 " " 65- " "
204 " " 80- " "	37 " " 60- " "

14 miles of lighter rail.

Bituminous coal formed 50% of tonnage in 1927 (49% in 1926, 50% in 1925, 52% in 1924 and 1923, 51% in 1922).

Current Assets, December 31, 1927, were \$6,944,636. (including \$1,342,922 Material and Supplies) and Current Liabilities \$3,757,530. Credit balance to Profit and Loss was \$1,223,549 and Appropriated Surplus, \$1,840,251.

CHICAGO & NORTH WESTERN RY.

See Table, page 101.

The preferred stock is entitled to non-cumulative dividends of 7% per annum. After the common has received 7% the preferred receives 3% additional. After 10% has been paid on the common, both issues share alike.

Dividends have been paid on the preferred stock each year since 1865 (except the three years 1874-76) and on the common stock since 1868 (except 1872 and the four years 1874-77) at rates ranging from 2½% to 10%. Since 1880 dividends have been paid as follows:

	'80-1	'82	'83-5	'86-94	'95	'96-9	'00-1	'02-'19	'20-2	'23-7
Preferred %....	7	7¼	8	7	7	7	7	8	7	7
Common %.....	6	6½	7	6	4	5	6	7	5	4

With the January, 1924, semi-annual dividend the common rate was reduced to 4%, a dividend of 1½% being declared, payable from 1923 earnings, making 4% for the year. Semi-annual dividends of 2% have since been paid, January and July.

As of December 31, 1927, Union Pacific R. R. owned \$4,420,600 common stock of the Chicago & North Western Ry.

VALUATION.

A tentative valuation as of June 30, 1917, of \$491,894,164 for North Western carrier property owned or used, including subsidiaries, has been served on the company. This was about \$65,000,000 more than book value. Adding \$57,820,981 expended on road and equipment 1917-1922 to depreciated cost value, indicated 1923 value of about \$543,155,000. Deducting bonds and preferred stock the latter figure was equivalent to about \$160 per share for the common stock.

CONTROL OF THE "OMAHA."

Under date of January 13, 1925, the Chicago & North Western Ry., since 1882 having owned \$5,380,000 preferred and \$9,540,000 common stock of Chicago, St. Paul, Minneapolis & Omaha Ry., announced an offer to exchange its own common stock for the remaining Omaha stock, \$5,879,300 preferred and \$9,016,700 common stock held by the public, on the basis of 5 shares of North Western common for 7 shares of Omaha common and 3 shares of North Western common for 2 shares of Omaha preferred stock. The company stated that acquisition of the entire stock would be especially advantageous because necessary financing and refunding of the Omaha could best be accomplished by means of the North Western's First and Refunding Mortgage, involving the subjection of Omaha property to this mortgage. During 1926, \$4,325,400 preferred and

\$7,137,800 common stock, and during 1927, \$764,200 preferred and \$778,600 common stock were acquired, involving the exchange of \$13,288,971 of North Western common stock of the \$15,259,450 issuable for the entire Omaha minority stocks. Holdings of Omaha stock at December 31, 1927, were 93.7% of total. Privilege to exchange Omaha for North Western stock expired May 25, 1927.

COMMON STOCK SOLD.

Stockholders subscribed at par to common stock since 1900 as follows: \$9,225,900 in 1903; \$10,609,100 in 1905, \$16,267,400 in 1906, \$24,401,600 in 1907 and \$30,502,700 in 1910. This brought the amount of common stock outstanding to \$130,117,029 of which \$91,000,000 or 70% was sold at par for cash in a period of seven years.

In 1917 stockholders subscribed at par to \$15,041,700 stock in the ratio of 10% holdings.

BONDS.

During the years 1907-8 to 1910-11, inclusive, \$21,602,000 bonds and debentures matured, bearing interest of from 5% to 7%. No bonds matured in 1911-12, 1912-13 and 1913-14. On February 1, 1915 \$12,832,000 7% bonds matured, in 1915-16 \$2,462,000 7% bonds and in 1917 \$3,223,000 7% bonds were retired. The refunding of these high interest bearing bonds through the issue of 4% and 5% bonds enabled the company to save large amounts in interest.

In 1915-16, \$7,972,000, in 1918 \$10,500,000, in 1923 \$2,233,000, and in 1924 \$3,150,000 General Mortgage 5% and in 1926 \$18,632,000 4¾% bonds, due 1987, were sold. Bonds under the General Mortgage held by the public as of December 31, 1927, consisted of \$31,316,000 3½s, \$30,554,000 4s, \$18,632,000 4¾s, and \$33,855,000 5s. The authorized issue is \$165,000,000. The company held \$7,781,000 General Mortgage bonds unpledged and had pledged \$20,500,000 5s to secure 7% and 6½% bonds due 1930 and 1936.

In 1920, \$15,000,000 7% bonds, due 1930, were sold to provide funds for general corporate purposes. These bonds are secured by pledge of \$15,000,000 First and Refunding 6s, due 2037, and \$2,500,000 General Mortgage 5s of 1987. In 1921, \$15,000,000 6½% bonds, due 1936, secured by \$18,000,000 General Mortgage 5s of 1987, were sold to provide for maturity of \$10,000,000 5% and \$5,000,000 6% bonds. The 6½% and 7% bonds are not redeemable.

In November, 1923, \$15,250,000 First and Refunding 5s, due 2037 were sold to provide for additions and betterments and to retire \$1,440,000 Boyer Valley Ry. 3½s at maturity. The First and Refunding Mortgage was executed in 1920 and these were the first bonds sold. In February, 1927, \$20,572,000 First and Refunding 4½% bonds were at 92½ to bankers; there was charged to Profit and Loss \$1,569,380 for debt discount incurred during the year; of the

proceeds \$6,545,000 was to refund matured bonds. At December 31, 1927, the company held none of this issue in the treasury but owned \$15,000,000 6% bonds pledged.

As of December 31, 1927, funded debt of Chicago & North Western Ry. held by the public amounted to \$277,977,200, compared with \$201,951,000 in 1917. Near maturities were \$8,125,000 5s and \$4,573,000 6s in 1929, and \$15,000,000 7s in 1930.

INVESTMENTS.

Chicago & North Western Ry. in the December 31, 1927, balance sheet carried investments in affiliated companies at \$2,175,836, compared with \$14,983,960 in 1920. Investments in other companies were \$27,731,992, including 104,696 preferred and 174,564 common shares of Chicago, St. Paul, Minneapolis & Omaha Ry. stock, carried at \$23,626,123 book value, and 41,715 shares of Union Pacific R. R. preferred stock, carried at 93¾.

Early in 1911, the North Western acquired 20% of outstanding capital stock of the Indiana Harbor Belt R. R. (See that company.)

The entire \$2,000,000 stock (\$250,000 book value) of Superior Coal Co. is owned by Chicago & North Western Ry. Dividends were received of \$750,000 in 1927, \$250,000 in 1926, and \$300,000 in 1925. During 1926 the \$400,000 stock of the Consolidation Coal Co. was sold for \$400,000. This company paid \$457,671 dividends in 1926 and \$300,000 in 1925 to Chicago & North Western Ry.

GENERAL.

Acres remaining unsold in the several land grants December 31, 1927, amounted to 112,592. Sales in 1927 were \$599,053 (1926, \$378,388; 1925, \$1,083,984; 1924, \$511,417; 1923, \$197,946) and \$594,584 (1926, \$363,066; 1925, \$1,055,851; 1924, \$503,062) net profit was credited to Profit and Loss by Chicago & North Western Ry.

Owned main tracks, including 5,023 miles of branches, at December 31, 1927, contained 214 miles of 110-pound rail, 2,078 miles of 100-pound rail, 1,975 miles of 90-pound rail, 650 miles of 80-pound rail, 2,435 miles of 72-pound rail, and 2,151 miles of 65-pound and lighter rail.

Early in 1928, the installation of automatic train control over the entire main line from Chicago to Council Bluffs, 485 miles, was completed.

The company in 1921 received \$15,500,000 in cash settlement for federal control.

Current Assets as of December 31, 1927, were \$33,064,993 (including \$12,564,849 Material and Supplies) and Current Liabilities \$14,066,682. Profit and Loss surplus was \$65,791,763 and Additions to Property through Surplus \$2,767,407.

CHICAGO, BURLINGTON & QUINCY R. R.

See Table, page 102.

In 1901 this road was leased to the Chicago, Burlington & Quincy Ry. at 7% per annum on the stock, for 999 years from October, 1901, but on July 1, 1907, the lease was abrogated, and the Railroad Company resumed operation.

In October, 1907, a quarterly dividend of 2% was paid and an extra dividend of 6%. In January, 1908, a quarterly dividend of 2% was paid, and the annual rate of 8% was maintained to February, 1921; in September, 1917, an extra dividend of 10% was paid.

In March, 1921, a stock dividend of \$60,000,000 was paid and on the increased stock semi-annual dividends of 5% were paid in 1921 and an extra dividend of 15% in December, 1921. Semi-annual dividends of 5% are now paid in June and December.

CONTROL OF "BURLINGTON."

In 1901, the Great Northern Ry. and Northern Pacific Ry. acquired \$107,611,600 of the Chicago, Burlington & Quincy R. R. stock (\$110,839,100 then outstanding) in exchange for their joint 20-year 4% gold bonds, secured by the deposit of the stock in trust, on the basis of \$200 in bonds for each \$100 in stock. The Northern Pacific Ry. and Great Northern Ry. each now own 829,337 shares of Burlington stock pledged to secure Great Northern 7s and Northern Pacific 6s issued in exchange for the 6½s with which the joint 20-year 4s were first refunded in 1921. In addition each road owns 842 shares unpledged and Northern Securities Co. owns 23,063 shares. Under the unification proposed for Northern Pacific and Great Northern, there would be no change in the status of the Burlington, which would continue to be jointly controlled by stock ownership and would not be leased.

BONDS.

Early in 1922 a First and Refunding Mortgage was executed to provide for refunding of Burlington's entire bonded debt. Authorized issue thereunder is limited to an amount which, together with all other then outstanding prior debt, after deducting bonds reserved to retire the latter, shall never exceed three times the outstanding capital stock. No more underlying mortgage bonds (including General Mortgage bonds) may be sold, with exception of about \$10,500,000 bonds held in the treasury when the mortgage was created.

In January, 1922, there were sold \$30,000,000 First and Refunding 5% bonds, Series A, due 1971. Proceeds were used for additions and betterments in 1922 including expenditure of \$15,000,000 for new equipment. These bonds were the only sold by Burlington in a period of seven years except \$6,060,000 equipment trust certificates taken by the U. S. Railroad Administration. In February, 1924,

\$10,000,000 additional Series A, First and Refunding 5% bonds were sold to provide for additions and betterments. In March, 1927, \$30,000,000 First and Refunding Series B 4½% bonds due 1977 were sold and \$16,384,000 of the proceeds applied to payment of Nebraska Extension 4% bonds at May 1 maturity. Series A bonds are redeemable at 107½ from 1942 to 1951, 105 from 1952 to 1961, and at 103 thereafter to maturity in 1971. Series B bonds are redeemable at 105 from 1952 to 1966 and at 103 thereafter to maturity in 1977.

Surplus account on December 31, 1927, showed \$44,044,177 Funded Debt Retired through Income. Unamortized Discount on Funded Debt amounted to \$5,706,046 (1926, \$4,126,943).

In 1905, there was authorized an issue of Illinois Division bonds which (\$85,000,000 outstanding, of which \$50,835,000 are 3½s, and the balance 4s) are now an absolute first mortgage on the company's terminals in Chicago and on all lines and terminals east of the Mississippi River (1,638 miles). Outstanding bonds include \$189,000 4s and \$386,000 3½s held in treasury of the company. General Mortgage bonds are redeemable at 105 after July 1, 1929.

A General Mortgage was created in 1908 under which bonds were authorized to the extent of \$300,000,000 bearing interest at a rate of not to exceed 5% per annum. These bonds are a first lien on 6,840 miles of road, and on retirement of Illinois Division bonds in 1949 will be a first mortgage on 1,638 miles additional. As additional security for the General Mortgage 305,262 shares of Colorado & Southern Ry. stock are pledged. The total amount of these bonds outstanding on December 31, 1927, was \$93,370,000 including \$9,873,000 in the treasury of the company and \$18,250,000 issued in 1927 in exchange for Nebraska Extension Mortgage bonds and pledged under the First and Refunding Mortgage.

Jointly and severally with "St. Paul," the P. C. C. & St. L. R. R. and Pennsylvania Co., Burlington guarantees \$67,000,000 Chicago Union Station 4½s, 5s and 6½s.

In 1915, and subsequently the Paducah & Illinois Bridge Co. sold \$4,256,000 First Mortgage 4½% Sinking Fund bonds (\$7,000,000 authorized) guaranteed principal and interest by the Burlington and the Nashville, Chattanooga & St. Louis Ry.

COLORADO & SOUTHERN RY.

In 1909, it was announced that the Burlington had purchased control of the Colorado & Southern Ry. (See that company.)

Burlington owns \$1,130,000 first preferred, \$6,078,700 second preferred and \$25,487,500 common stock of Colorado & Southern Ry. (68% of entire stock of latter company). In 1926 \$1,830,000 common owned for some time by a subsidiary was acquired at cost of \$1,006,772 by Burlington. The total \$32,706,200 stock is carried at \$20,650,224 book value. 305,262 shares are pledged under the General Mortgage and, subject to its lien, under the First and

Refunding Mortgage and 21,700 shares are pledged under the First and Refunding Mortgage.

GENERAL.

During the period (since 1901) in which the Burlington has been owned by Northern Pacific and Great Northern, the Burlington to December 31, 1927, had net income of approximately \$535,000,000 of which \$331,000,000 was paid in cash dividends and over \$200,000,000 added to surplus. A portion of accumulated earnings was capitalized in 1921 by \$60,000,000 stock dividend distribution.

During some former years the following deductions were made from surplus earnings for improvements, betterments, etc.:

1907-8	\$3,225,994	1913-14	\$5,715,875
1908-9	2,237,081	1914-15	3,340,669
1909-10	3,329,006	1915-16	4,431,360
1910-11	4,826,755	1916	*17,264,595
1911-12	3,944,216	1917	8,057,964
1912-13	7,647,743	1918	10,265,851
1919-27	None		

*Includes \$2,400,000 fund for accrued taxes not due and \$6,000,000 miscellaneous appropriations of income.

Final valuations as of June 30, 1917, of \$496,306,358 for owned carrier property and \$499,132,255 for total used property have been served on the company. Cost of reproduction new of owned property including land was found to be \$563,217,613 and excluding land \$490,007,919. The investment recorded upon the company's books was \$461,509,295 at valuation date.

Bituminous coal contributed 26% (1926, 31%; 1925, 31%; 1924, 30%) and agricultural products 21% (1926, 19%; 1925, 18%; 1924, 22%) of the total freight tonnage handled in 1927.

Investment in the Toledo, Peoria & Western Ry., jointly controlled with Pennsylvania Co. for many years, was written off in 1926, \$1,574,140 being charged to Profit and Loss following sale of the property at public auction.

Finding from experience that the rate of depreciation accounted for equipment could properly be reduced with improved character and condition of rolling stock, the Burlington effective 1926 commenced to charge 4% instead of 6%, resulting for 1926 in \$1,575,323 reduction in charges to expense.

Effective August 2, 1926, a traffic arrangement was made with the Gulf, Mobile & Northern R. R. for interchange at Paducah, Ky.

Owned main track, 10,152 miles, contained at December 31, 1927:

92 miles of 110-pound rail,						66 miles of 70-72-pound rail,					
795	"	"	100-	"	"	945	"	"	65-66-	"	"
4,309	"	"	90-	"	"	289	"	"	60-	"	"
1,400	"	"	85-	"	"	1,060	"	"	56-	"	"
2	"	"	80-	"	"	206	"	"	48-52-	"	"
993	"	"	75-	"	"	9	"	"	40-45-	"	"

This included 50 miles of narrow gauge line having 40 to 66-pound rail.

On December 31, 1927 Current Assets were \$34,039,711 (including \$12,487,544 Materials and Supplies) and Current Liabilities \$17,958,064. Among investments, the company held \$15,141,900 U. S. Government securities, all unpledged. Credit balance to Profit and Loss was \$155,534,296; Total Corporate Surplus, \$200,076,843.

CHICAGO GREAT WESTERN R. R.

See Table, page 103.

The preferred stock is entitled to 4% dividends, cumulative from July 1, 1914, and has equal voting power with the common stock. No additional mortgage may be created or preferred stock issued without consent of a majority of preferred stock outstanding. An initial dividend of 1% was paid December 1, 1915, and 1% in May and October, 1916, April, 1917, August, 1918, and January and July, 1919; none since. No dividends have been paid on the common stock.

MASON CITY & FORT DODGE R. R.

All the stock of the Mason City & Fort Dodge R. R., 375 miles, was acquired in 1901 by Chicago Great Western R. R. The property was leased to 2001 on terms providing that the Mason City & Fort Dodge R. R. receive 60% of all earnings from business interchanged, and pay any surplus after the payment of interest on bonds to the parent company as owner of all the stock. To the extent of such surplus, the latter guaranteed payment of interest on the \$12,000,000 4% bonds, due 1955. Interest due December 1, 1920, was paid at request of the Interstate Commerce Commission by means of a Government loan. Interest due in 1921 was neither earned nor paid and it was stated that no funds would be advanced in the future to pay unearned interest.

Settlement was effected as of December 1, 1922, with representatives of M. C. & F. D. bondholders, who accepted Great Western's offer to exchange for principal of these bonds 75% in its own First Mortgage bonds and 25% in its preferred stock. Unpaid interest accumulated since December 1, 1920, was payable in the same way, except that interest on bonds thus issued was paid to and including March 1, 1924, in additional bonds. Exchange on these terms was begun in March, 1923 and terminated January 30, 1926. Including an exchange of \$5,000 bonds on less favorable terms, there had been exchanged to December 31, 1927, \$11,887,000 bonds, carrying \$950,960 past due coupons, for \$10,103,000 Great Western First Mortgage 4% bonds, and \$3,207,900 preferred stock, leaving \$113,000 M. C. & F. D. bonds outstanding. It was stated in the 1922 annual report that as Great Western would ultimately acquire the property, many

capital improvements could be made which were not provided for in the lease.

WISCONSIN, MINNESOTA & PACIFIC R. R.

The Wisconsin, Minnesota & Pacific R. R. formerly owned a line from Winona to Mankato, Minn., with a branch, Rochester, Minn., to Osage, Ia., 277 miles. All of its stock is owned and pledged under the First Mortgage of the Great Western, which formerly operated this road as lessee, under an agreement dated April 1, 1901, providing, as in the case of the Mason City & Fort Dodge R. R., that surplus earnings should be paid over to the parent company, as owner of all the stock of the W., M. & P. R. R., the parent company guaranteeing the future payment of the interest on the bonds of the latter to the extent of such surplus. As net earnings of the W., M. & P. R. R. in 1912 were insufficient to meet interest on the \$6,232,000 First Mortgage bonds, the coupon due October 1, 1912, was not paid. In July, 1913, the Great Western offered to holders 50% in its own First Mortgage 4% bonds and 50% in preferred stock together with cash in payment of all defaulted coupons with accrued interest. In June, 1920, consolidation of the Wisconsin, Minnesota & Pacific R. R. with the Chicago Great Western was made effective. In 1924, the W., M. & P. R. R. mortgage was satisfied and bonds held by the Great Western were destroyed.

VALUATION.

A tentative valuation of \$69,011,616 as of June 30, 1916, has been placed on the transportation property of Chicago Great Western R. R. and subsidiaries by the Interstate Commerce Commission. Based on this figure with additions to property the valuation would have approximated \$91,200,000 in 1924.

BALANCE SHEET.

The company reported on December 31, 1927, Current Assets of \$6,520,000 (including \$1,515,481 Material and Supplies), and Current Liabilities of \$2,961,313. Credit balance to Profit and Loss was \$9,768,616, and Appropriated Surplus was \$71,386.

REORGANIZATION.

The interest due January, 1908, on the old debenture stock (entitled to 4% per annum) was not met and the former Chicago, Great Western Ry. placed in the hands of receivers. A plan of reorganization was adopted in 1909. Debenture stock received 110% in new preferred stock. The old preferred "A" (\$11,336,900) stock received 120% in new common stock. The preferred "B" (\$23,051,942) and common stocks were assessed \$15 per share, receiving \$15 each in new preferred stock and \$60 and \$40 respectively in new common stock.

The new company authorized securities (including those mentioned above) as follows:

(1) Preferred stock (4%) to an aggregate amount of \$50,000,000, of which \$41,021,402 was used for the purpose of the plan (as above) and the remainder reserved for issuance as determined by the board of directors. From 1923 to 1927, \$3,207,900 preferred stock, including \$171,300 treasury holdings, was issued in part exchange for Mason City & Fort Dodge bonds.

(2) Common stock to an aggregate amount of \$46,000,000, of which \$45,245,613 was used for the purposes of the plan.

(3) An issue of \$75,000,000 First Mortgage 4% bonds, due September 1, 1959. Of this amount \$35,485,000 (including \$25,383,000 mostly sold at 92, and \$10,103,000 issued 1923 to 1927 in part exchange for Mason City & Fort Dodge bonds) were in the hands of the public December 31, 1927; \$19,738,000 additional bonds were in the treasury and \$5,501,000 pledged behind 6% notes.

The present company began operations September 1, 1909.

REVIEW.

To December 31, 1927, the present company had expended in aggregate \$35,679,163 in capital improvement including \$19,246,148 for equipment. About \$9,900,000 of the funds required were derived from earnings or surplus. Between 1910 and 1927 tons per train increased from 330.72 tons to 620.35 tons, and ton mileage from 1,247,441,861 to 1,997,300,610, while freight train mileage decreased from 3,771,868 miles to 3,219,654.

A summary of changes in physical property from September 1, 1909 to December 31, 1927, follows:

	Sept. 1, 1909	Dec. 31, 1927
Mileage, excluding Trackage Rights:		
First Main Tracks.....	1,404	1,409
Second Main Tracks	39	59
Side Tracks	465	550
Weight of Rail in Main Tracks:		
100-pound Rail	none	140 miles
90- " "	none	166 "
85- " "	301 miles	461 "
77.5- " "	none	89 "
75- " "	756 miles	391 "
60- " "	253 "	136 "
56- " "	110 "	26 "
50- " "	22 "	none
Equipment:		
Locomotives	300	266
Freight Cars	10,704	8,934
Passenger Cars	174	205

CHICAGO, INDIANAPOLIS & LOUISVILLE RY.

See Table, page 104.

The preferred stock is limited to 4% non-cumulative dividends. Dividend record on both classes of stock follows (payments semi-annually):

	'09-'13	'14-'15	'16	'17	'18-'19	'20-'21	'22-'23	'24	'25	'26-'27
Pfd. %.....	4	4	4	4	4	4	4	4	4	4
Com. %....	3¼	0	*4⅞	3¼	0	1⅝	3¼	4½	5	†7

*For 18 months. †Including 2% extra dividends.

In July, 1928, 1% extra dividend was paid.

In 1902, the Louisville & Nashville R. R. and the Southern Ry. acquired 92½% of the common stock and 77% of the preferred stock on the basis of \$78 and \$90 per \$100 share, respectively, payable at par in their joint 50-year 4% collateral trust bonds secured by the stock acquired.

Jointly and severally with the Baltimore & Ohio R. R. and the Southern Ry., this company guarantees principal and interest \$7,041,777 First Mortgage 4½% bonds due 1961 of the Kentucky & Indiana Terminal R. R. The Chicago, Indianapolis & Louisville Ry. also guarantees, as to the interest only, \$2,875,000 First Mortgage sinking fund 5% bonds, due 1936, of the Monon Coal Co.

The Kentucky & Indiana Terminal R. R. operates a new double-track bridge across the Ohio River between New Albany, Ind., and Louisville, Ky., etc. The property is leased for 99 years by the Chicago, Indianapolis & Louisville Ry., Baltimore & Ohio R. R., and Southern Ry., which companies together own in equal shares the entire capital stock of the company.

In 1914, the Chicago, Indianapolis & Louisville Ry. purchased the Chicago & Wabash Valley R. R. extending from McCoysbury to Dinwiddie, Ind. (36 miles). To pay for this railroad line and for other purposes the Chicago, Indianapolis & Louisville Ry. authorized and issued \$1,500,000 General Mortgage 5% bonds which matured July 1, 1919.

In 1916, the First and General Mortgage was authorized. Bonds bear interest rate at not exceeding 6% per annum, mature in 1966, and are limited to the amount of \$40,000,000. In 1916, \$3,250,000 Series A 5% bonds were sold, a portion of the proceeds being used to retire \$1,500,000 General Mortgage bonds. In January, 1922, \$3,000,000 Series B 6% bonds were sold, proceeds being applied to payment of a demand obligation of \$1,400,000 to the War Finance Corporation and the balance placed in the treasury for general corporate purposes. In June, 1924, \$1,000,000 Series B 6% and in June, 1926, \$1,000,000 Series A 5% bonds were sold. In May, 1927, the company sold at 100½ to bankers \$650,000 5% bonds. At December 31, 1927, \$865,000 6% and \$583,000 5% bonds were held free in the company's treasury.

A tentative final value of \$31,495,358 as of June 30, 1915, for total property devoted to common carrier purposes has been served on the Chicago, Indianapolis & Louisville Ry., comparing with book investment in road and equipment of \$37,225,900 and capitalization of \$33,710,930 at that date.

It was stated in an annual report of this company that the annual average of property investment for the five years 1911-12 to 1915-16, amounted to \$39,337,945; the average annual income for the period was \$1,035,823, equal to 2.63% on the investment.

Products of mines (largely bituminous coal, stone, sand, etc.) have contributed a large proportion of the freight tonnage carried, viz.:

1927	1926	1925	1924	1923	1922	'16-17	'12-13	'10-11
68.1%	65.7%	61.0%	59.9%	62.0%	60.2%	58.5%	50.1%	46.1%

Of 614 miles of road maintained during the year, 592 miles were ballasted December 31, 1927.

Current Assets on December 31, 1927, were \$3,083,362 (including \$1,198,694 Material and Supplies). Current Liabilities were \$2,874,680. Profit and Loss credit balance was \$7,548,327 of which \$5,767,828 had been invested in road and equipment since April 30, 1916.

CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA RY.

See Table, page 105.

The preferred stock has a prior right to dividends up to 7% per annum. The common cannot receive more than is paid on the preferred. The rate of dividends on the common was raised in August, 1902, from 5% to 6%, and again in February, 1905, to 7%. In August, 1917, the rate was reduced to 5% per annum, which rate was maintained to and including the August, 1923, semi-annual dividend; none since. Payment of the semi-annual dividend on the preferred stock due August, 1924, was deferred. Dividends of 5% for the year were paid on the preferred stock in December, 1924, 1925, 1926, and 1927.

As of December 31, 1927, the Chicago & North Western Ry. owned 95,400 common and 53,800 preferred shares of "Omaha" stock, mostly acquired by purchase in 1883, carried at a valuation of \$10,337,152, and 79,164 common and 50,896 preferred shares, acquired by exchange of stock during 1926 and 1927, carried at \$13,288,971 value.

Under date of January 13, 1925, the Chicago & North Western Ry. announced an offer to exchange its common shares for the 58,793 preferred and 90,167 common shares of Omaha stock remaining in public hands, on the basis of 5 shares of North Western common for 7 shares of Omaha common and 3 shares of North

Western common for 2 shares of Omaha preferred stock. The North Western stated that complete acquisition of the stock would be especially advantageous as necessary financing and the refunding of debt in 1930 could best be accomplished for the Omaha by means of the North Western's First and Refunding Mortgage, involving the subjection of Omaha property under this mortgage. During 1926 and 1927, \$13,288,971 was issued of the \$15,259,450 North Western common stock issuable for the entire Omaha minority stocks. The privilege of exchange expired May 25, 1927.

All the bonds (except equipment obligations) of the company mature 1930. There are \$3,734,000 3½% bonds, \$15,400,000 5%, and \$24,952,634 6% bonds.

In June, 1922, \$2,700,000 5% debenture bonds, due 1930, (treasury securities) were privately placed.

In 1927 products of agriculture composed 28.5% (1926, 25.0%; 1925, 29.5%; 1924, 34.4%) and forest products 16.4% (1926, 17.6%; 1925, 18.3%; 1924, 18.6%) of total tonnage.

As of December 31, 1927, Current Assets were \$4,562,553 (including \$2,644,948 Material and Supplies) and Current Liabilities were \$4,923,552. Corporate Surplus was \$6,393,959, consisting of \$5,209,804 credit balance to Profit and Loss, and \$1,184,155 Additions to Property through Surplus.

CINCINNATI NORTHERN R. R.

See Table, page 106.

Dividends on the stock of this company have been paid as follows:

1910-11	1912-13	1916-20	1921	1922	1923	1924	1925-26	1927
3%	1½%	3%	5%	3%	*6%	*8%	10%	†50%

*Appropriated from income for the year; 3% of the 1923 dividend and 5% of the 1924 dividend were paid in March, 1924 and 1925, respectively. †Including 40% extra dividend paid December 30, 1927.

In January and July, 1928, 5% semi-annual dividend was paid.

Of the \$3,000,000 capital stock of this road outstanding \$2,931,600 (\$1,151,500 acquired in 1922) was owned on December 31, 1927 by the Cleveland, Cincinnati, Chicago & St. Louis Ry. which owns also \$581,000 of the \$1,000,000 (\$3,000,000 authorized) First Mortgage 4% bonds of this company.

Proposal was made in July, 1926, by New York Central R. R. to lease various subsidiaries, the Cincinnati Northern R. R. to be leased to C., C., C. & St. L. Ry. and leasehold transferred by lease of the latter to the N. Y. Central R. R. Dividends of 12% would be paid under rental upon Cincinnati Northern R. R. stock; offer was made to purchase minority stock at a fair value to be agreed upon or determined by arbitration.

This company participated in the New York Central Lines equipment trusts of 1922 and 1924, its share being \$1,155,000, or 75% of the cost of one thousand freight cars in 1922, and \$405,000 or 75% of the cost of 250 auto box cars in 1924.

Bituminous coal furnished 61% of total tonnage in 1927 (65% in 1926; 62% in 1925; 60% in 1924; 59% in 1923; 55% in 1922).

Main track, December 31, 1927, included 45 miles of 90-pound rail and 160 miles of 80-pound rail.

On December 31, 1927, Current Assets were \$1,247,721, including \$355,995 Material and Supplies, and Current Liabilities were \$601,827. Credit balance to Profit and Loss was \$3,337,963 and Appropriated Surplus \$105,469.

CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RY.

See Table, page 107.

The preferred stock is limited to 5% which was paid regularly quarterly, until October 1, 1913, when the dividend was passed. In July, 1916, the 5% dividend was resumed. For several years to and including 1907, the common stock received 4% per annum, March and September. In March, 1908, 1% was paid. In September, 1908, and in 1909 dividends were omitted. In 1910, 4% was paid; no dividends were paid thereafter until 1922, when 4% was paid (2% June and 2% November). Dividends of 1% quarterly were paid in 1923. With the April, 1924, quarterly dividend the rate was increased to 5%. In 1925 a total 5½% was declared on the common stock, the dividend for the final quarter (paid January, 1926) being at 7% rate. With the July, 1927 payment, the dividend was increased to 8% rate.

Since 1905, new common stock has been issued as follows: 1905, \$2,872,100 to stockholders at par, and \$4,727,900 additional sold; in 1906, \$4,404,837 sold; in 1907, \$4,806,580 common stock sold to stockholders at 90; in 1907, \$2,249,720 stock sold (price not stated), bringing the total outstanding to \$47,028,700. The authorized amount is \$50,000,000.

PROPOSED LEASE TO N. Y. CENTRAL R. R.

In July, 1926, the New York Central R. R. proposed a lease of the C., C., C. & St. L. Ry., including the latter's leaseholds and leasehold interests and operating contracts for Peoria & Eastern Ry. and Kankakee & Seneca R. R., also proposed leaseholds of Cincinnati Northern R. R. and Evansville, Indianapolis & Terre Haute Ry. Rentals were to be equal to 5% on preferred and 10% on common stock of the C., C., C. & St. L. Ry. and 12% on stock of Cincinnati Northern R. R. (4% on stock of Evansville, Indianapolis & Terre Haute Ry., all of which was owned by the C., C., C. & St. L. Ry.); offer was made to purchase at fair value as agreed or determined by arbitration the minority stocks out-

standing. The leases were to be made for 99 years and investments and current assets were to be transferred to N. Y. Central which would pay liabilities.

The New York Central R. R. held in 1921 \$30,207,700 "Big Four" common stock. Prior to the merger with the "Lake Shore," January 1, 1915, the "Big Four" stock was held by the latter company. The New York Central R. R. in December, 1921, offered to exchange its own stock for the \$16,821,000 minority common and \$9,998,500 preferred stock of the "Big Four" outstanding, on a basis of an equal amount for the preferred and 8 shares for 10 of Big Four common. At that time the New York Central owned none of the preferred stock, and hence did not completely control the Big Four as consent of a majority of the preferred stock is required to increase funded debt or to lease railway property entailing increased fixed charges. Largely as a result of this offer the New York Central on December 31, 1927 held \$42,941,100 common (91.31%) and \$8,468,100 preferred stock (84.69% of the total).

SECURITIES OWNED.

The Big Four owns \$5,000,100 of the \$9,994,200 stock of the Peoria & Eastern Ry. (211 miles operated) and guarantees interest on that company's bonds, excepting the income bonds. The Big Four owns \$2,931,600 of the \$3,000,000 stock of the Cincinnati Northern R. R. (205 miles owned), \$1,151,500 stock having been acquired in 1922.

The \$1,500,000 4% bonds of Central Indiana Ry. were guaranteed by the Big Four and Pennsylvania Co. which companies own the stock. This road annually reported large deficits and never paid interest on these bonds which were issued in 1904. In 1922 the proprietor companies withdrew support and foreclosure proceedings began when bond interest was defaulted. Sale of the property in parcels was not permitted by the court. In 1924 the bonds, which were almost entirely owned by the proprietor companies, were surrendered, receivership terminated, and operation by Central Indiana Ry. resumed. In 1926 an application was submitted to the Interstate Commerce Commission to abandon operation. Deficit was \$132,364 in 1927. Advances (pro-rata) by the Big Four amounted to \$240,386 on account of expenses, taxes, and property expenditures. On March 29, 1927, the Interstate Commerce Commission authorized abandonment by Central Indiana Ry. of its lines.

In 1922 the Big Four purchased 19 shares in Cleveland Union Terminals Co., other shares being held: 68 by N. Y. Central, 4 by the "Nickel Plate" and 9 by directors of the Terminals Co. The three railroads jointly and severally guarantee an authorized amount of \$60,000,000 First Mortgage terminal bonds of which \$12,000,000 5½s were issued and sold in 1922, and \$25,000,000 5s in 1923, 1924, 1925, and 1926, and \$5,000,000 4½s in 1927.

Investment in the Evansville, Indianapolis & Terre Haute Ry. was represented December 31, 1927, by \$286,354 advances and the \$4,290,000 stock held by the Big Four. In 1925 \$3,290,000 advances, including \$1,500,000 to redeem first mortgage 7% bonds due 1950, were exchanged for stock. Net income of the road was \$324,292 in 1926 and \$178,099 in 1927.

The Big Four owns one-half of the \$10,000 stock and \$650,000 matured first mortgage bonds of the Kankakee & Seneca R. R., the other half being owned by Chicago, Rock Island & Pacific Ry. This road had lately been operated by the Big Four, the joint owners taking equal share in earnings or losses. Agreement was made in 1925 that for five years beginning 1926 the Big Four would operate the road as agent, whereafter the proprietor companies would have the right to alternate for periods of five years, operating deficits to be contributed equally. Deficit was \$2,197 in 1927, in addition to one-half which amount the Big Four advanced \$34,514 to the company.

FINANCIAL.

In 1919 a Refunding and Improvement Mortgage was executed under which \$15,000,000 Series A 6% bonds due 1929 were sold, the Big Four realizing \$14,325,000, of which \$5,366,731 was paid to the New York Central for indebtedness incurred for capital account; \$1,052,600 Series C bonds due 1941 were sold in June, 1921. In December, 1923, the amount of Refunding and Improvement bonds issuable for other than refunding purposes was increased from \$25,000,000 to \$35,000,000. In May, 1924, \$20,000,000 5% bonds due 1963 were sold, proceeds being devoted \$15,500,000 to discharge of notes and other obligations, mostly due to N. Y. Central R. R. In January, 1928, \$15,000,000 4½% bonds due 1977 were sold, the proceeds being used to retire \$2,828,000 bonds of subsidiary lines, to pay N. Y. Central R.R. advances, amounting to \$10,250,000 on December 31, 1927, and to reimburse the treasury.

With additional purchases 1922-1927, European Loan debentures held in the company's treasury amounted to 42,415,500 francs. At normal rate of exchange par value of these holdings is equivalent to \$8,186,344 while cost of acquisition was \$3,977,268. There remained \$1,464,637 actually outstanding of the original \$9,650,181 4% debentures issued in 1910, due 1930.

On December 31, 1927, Current Assets were \$20,966,579 (including \$7,406,709 Material and Supplies) and Current Liabilities \$12,-995,706. Credit balance to Profit and Loss was \$55,864,945 and Appropriated Surplus \$2,363,296.

WEIGHT OF RAIL.

Owned main tracks (2,832 miles) on December 31, 1927, included:									
1,565 miles of 105-pound rail,					10 miles of 67-pound rail,				
960	"	"	90-	"	"	22	"	"	60-
240	"	"	80-	"	"	30	"	"	56-
19	"	"	70-	"	"	5	"	"	52-

PEORIA & EASTERN RY.

In December, 1921, the Big Four offered to purchase Peoria & Eastern Ry. Income bonds and \$4,994,100 stock outstanding in public hands, paying \$2,118,000 in 4½% First Mortgage bonds of the Evansville, Mt. Carmel & Northern Ry. Co., to be guaranteed by the Big Four, on the basis of \$1,000 Mt. Carmel bond for \$3,000 Peoria & Eastern Income bonds and \$1,000 Mt. Carmel bond for 60 shares of Peoria & Eastern stock. There was no response to this offer. See under Peoria & Eastern Ry. in this book.

DETROIT & MACKINAC RY.

See Table, page 108.

On the preferred stock an initial semi-annual dividend at the rate of 5% was paid July 1, 1903, and payments were continued to January 1, 1921, inclusive; none since. On the common stock 5% was also paid semi-annually from January, 1912, until January, 1915. The July, 1915, dividend was not paid. In 1916, 5% was paid. The rate was 2½% from 1917 to 1920 inclusive (paid January); none since.

The mortgage 4% bonds due 1995 were reduced \$750,000 in 1902, by exchange for preferred stock at par. The bonds were cancelled.

In January, 1923, \$450,000 First Lien 4% bonds due 1995, which had been held in the treasury, were sold.

In June, 1914, the Au Sable & Northwestern Ry. (from Au Sable on the Detroit and Mackinac Ry. to Comins, 56 miles) was purchased. This was a narrow gauge road but has since been standardized.

For years considerable amounts have been deducted from income for improvement, equipment and new extensions. Deductions have been made (including cost of Hillman branch and Rogers City extension, Au Sable & Northwestern Ry., etc.) as follows in recent years:

1908-9.....	\$123,706	1918.....	\$41,804
1909-10.....	152,108	1919.....	49,687
1910-11.....	42,214	1920.....	40,744
1911-12.....	22,490	1921.....	258,609
1912-13.....	94,959	1922.....	127,303
1913-14.....	54,612	1923.....	140,416
1914-15.....	68,414	1924.....	86,567
1915-16.....	103,889	1925.....	314,366
1916.....	156,397	1926.....	48,245
1917.....	59,759	1927.....	26,129

A tentative valuation of \$6,559,700 as of June 30, 1917, has been placed on carrier property of the company.

The Interstate Commerce Commission in 1927 gave permission to abandon the Au Sable and Lincoln branches, holding in abeyance any action on the Rose City branch. The Michigan commission acquiesced in this action as far as the Au Sable branch was concerned, and rails and other property were removed. Abandonment of the Lincoln branch was approved as of January 1, 1929.

Current Assets on December 31, 1927 were \$504,566 (including \$288,470 Material and Supplies) and Current Liabilities were \$215,124 (including \$70,000 Loans and Bills Payable). Additions to Property through Income were \$1,863,583; debit balance to Profit and Loss was \$620,276.

The following table indicates how a former logging railroad has been turned into a road for general business:

	1897	1906	1927
Products of Agriculture %.....	1.35	2.82	3.7
Products of Mines %.....	1.55	29.40	54.9
Products of Forests %.....	*86.58	53.41	7.9
Merchandise, Manufactures, etc. %.....	9.27	12.88	32.6

*91% in 1896.

ELGIN, JOLIET & EASTERN RY.

See Table, page 109.

All the stock of this company is owned in the interest of the United States Steel Corporation. Since 1899, dividends have been regularly paid at 4%, excepting 6% in 1923, 1926 and in 1927.

The railroad serves the Chicago district, lines extending from Waukegan, Ill., to Porter, Ind. (130 miles); Walker to South Wilmington, Ill. (33 miles). A large mileage to mines and industries is operated in South Chicago, Gary, etc., through the Chicago, Lake Shore & Eastern Ry, which company is leased by Elgin, Joliet & Eastern Ry. The \$9,000,000 4½% bonds due 1969 of the Chicago, Lake Shore & Eastern Ry. are guaranteed by the Elgin, Joliet & Eastern Ry. and the U. S. Steel Corporation. The Elgin, Joliet & Eastern Ry. has outstanding \$10,000,000 First Mortgage 5% bonds due May 1, 1941. Over 190 miles of the Chicago & Eastern Illinois Ry. are used under trackage agreements.

Final valuation of \$34,660,000 as of June 30, 1914, was placed on property of Elgin, Joliet & Eastern Ry. and subsidiaries in February, 1925.

Current Assets, December 31, 1927, were \$14,963,910 (including \$1,240,459 Material and Supplies and \$13,351,659 Cash, Demand Loans and Special Deposits) and Current Liabilities \$5,-

706,471. The credit balance to Profit and Loss was \$11,472,508 and Appropriated Surplus, \$760,182.

Of 35,295,704 tons carried in 1927, 11,967,517 were bituminous coal, 2,065,364 coke, and 14,892,023 manufactures, etc.

Passenger traffic is not handled.

GREEN BAY & WESTERN R. R.

See Table, page 110.

The Class A debentures are entitled to 2½%, if earned, then common stock to 2½%, then the two issues share ratably, but after 5% has been paid on both, Class B debentures are entitled to all surplus earnings. Payments have been made annually in February (1919, June; 1921, March), as follows:

	'10	'11-'12	'13	'14	'15	'16	'17	'18-'21	'22	'23-'24	'25-'28
Stock %	5	5	5	5	5	5	5	5	5	5	5
Deb. A %	5	5	5	5	5	5	5	5	5	5	5
Deb. B %	¼	½	1¼	⅝	¾	⅝	1	⅝	½	¼	½

There are no fixed charges other than taxes and rentals, and no fixed charges can be created, or the property sold or leased, without consent of 75% of the stockholders.

The Green Bay & Western R. R. at receiver's sale acquired property of the Waupaca-Green Bay Ry. (10 miles) as of December 31, 1921.

Of the stock of Kewaunee, Green Bay & Western R. R., \$438,400 or 66% is owned and carried at \$4,645 valuation. Dividends of \$52,608 were received on this stock in 1927, 1926, and 1925, each year, none in 1924.

Also all of the \$439,500 stock of the Ahnapee & Western Ry. is owned, carried at \$8,949, no dividends paid.

Balance sheet December 31, 1927, showed Current Assets \$779,962 (including \$309,855 Material and Supplies) and Current Liabilities \$138,241. Credit to Profit and Loss was \$364,629 and Additions to Property through Income and Surplus \$879,054.

Owned main track, December 31, 1927, contained:

20 miles of 80-pound rail,	7 miles of 72-pound rail,
12 " " 77½-" "	146 " " 70-" "
38 " " 75-" "	9 " " 60-" "

Appropriations from earnings for additions and betterments have been as follows: \$81,769 in 1927, \$125,000 in 1926, \$150,000 in 1925, \$75,000 in 1924, \$31,013 in 1923, \$43,164 in 1922, \$31,000 in 1921, \$51,900 in 1920, none in 1919 and 1918, \$70,000 in 1917, \$50,000 in 1916, \$81,400 in 1915, \$28,000 in 1914, \$27,000 in 1913 and \$26,000 in 1912.

HOCKING VALLEY RY.

See Table, page 111.

The common stock received 4% dividends from July, 1907, to July, 1911; 7% in the 1911-12 and 1912-13 years with 4½% extra in June, 1913; 8% in 1913-14; 3% in December, 1914, and 1% in June, 1915; 2% in December, 1915; 4% in 1916; 5½% in 1917; and 4%, 1918 to 1920, inclusive. In 1921 the June dividend was passed but the 2% semi-annual dividend was paid in December chiefly from previous surplus. The 4% rate was continued until April, 1926, when it was increased to 8% with a quarterly payment, a special dividend of 4% also being paid. With the June, 1927, quarterly payment the dividend was increased to 10% rate.

CONNECTION WITH C. & O. RY.

In September, 1927, a line extending 63 miles from Gregg to Valley Crossing, Ohio, and joining Chesapeake & Ohio Ry. with Hocking Valley Ry., was opened for service. The Chesapeake & Hocking Ry. owns the line and leases it to the Chesapeake & Ohio Ry. Cost was about \$13,000,000 but \$1,000,000 annual savings were estimated to result. Previously the Chesapeake & Ohio Ry. had used Norfolk & Western Ry. tracks to reach the Hocking Valley Ry.

UNIFICATION PROPOSAL.

Combination of this company with four others was proposed by O. P. and M. J. Van Sweringen in August, 1924. (For details, see under New York, Chicago & St. Louis R. R.) The New Company was to offer to exchange 50 shares of its preferred stock (6% cumulative) and 50 shares of its common stock (on which it was expected to pay 6% dividends) for each 100 shares of Hocking Valley Ry. capital stock. No New Company stock, however, was to be issued in exchange for Hocking Valley stock owned by Chesapeake & Ohio Ry. Property of the Hocking Valley was to be leased, directly or indirectly. Non-assenting stockholders were to have the option: (1) to receive a cash payment equal to average market price of the stock for six months prior to approval of the lease, or (2) to 5.5% dividends varying as more or less were paid on preferred and common stocks of the New Company.

In March, 1926, the Interstate Commerce Commission disapproved the plan for unification.

In February, 1927, application was made to the Interstate Commerce Commission by Chesapeake & Ohio Ry. to acquire stock control of Erie R. R. and Pere Marquette Ry. No leases were contemplated. In May, 1928, the plan was approved in principle as regarded Pere Marquette Ry., but not Erie R.R.

STOCK OWNERSHIP.

In 1903, \$6,924,200 of outstanding Hocking Valley Ry. common stock was acquired by five railroad companies, viz.: Pittsburgh, Cincinnati, Chicago & St. Louis Ry. (two-sixths interest) and Baltimore & Ohio R. R., Chesapeake & Ohio Ry., Lake Shore & Michigan Southern Ry. and Erie R. R. (each one-sixth interest) at a cost of \$103 per share.

During 1909-10 all of this stock was purchased by the Chesapeake & Ohio Ry. The latter road's holdings December 31, 1927, were \$8,837,900, or 80.35% of total, of which \$8,825,000 was pledged for the First Lien and Improvement bonds, due 1930, which were in turn pledged. In 1922 the C. & O. held \$8,825,900 at a book value of about \$119 per share.

FINANCING.

In 1910, the entire issue of \$15,000,000 4% preferred stock was retired at par. About two-thirds of the funds required for this purpose were provided by the sale of securities carrying control of the Toledo & Ohio Central Ry. and the Kanawha & Michigan Ry. (Ohio Central Lines) which were sold to the Lake Shore & Michigan Southern Ry. for \$10,197,875. One-half of the Kanawha & Michigan Ry. stock was transferred by the "Lake Shore" to the Chesapeake & Ohio Ry. but this was subsequently disposed of by the Chesapeake & Ohio Ry. by order of the Court.

An issue of \$5,000,000 short-term 6% notes maturing November 1, 1918, was extended to March 1, 1919. A General Mortgage was created, limited to \$50,000,000, under which \$9,600,000 6% bonds were issued and pledged to secure \$7,500,000 6% notes, due 1924, which were sold to finance the notes matured. In February, 1924, meeting this maturity, \$6,000,000 two year 6% notes were sold, secured by \$7,500,000 General Mortgage 6% bonds. At maturity in 1926 these notes were extended at 5% for six months and again at 5% to March 1, 1927 at which time \$1,000,000 was paid and retired. The remaining \$5,000,000 was refunded by a like amount of 4½% notes for six months due September 1, 1927, secured by \$6,250,000 General Mortgage 6% bonds. These latter notes were paid at maturity and the collateral released was placed in the company's treasury.

Final settlement for federal control was effected in 1923, whereby the company owed \$700,000, which amount was funded at 6% to 1930 by issue in 1924 of a note to the Government. Settlement for the guaranty period was effected in 1924, the company receiving \$453,631, which was taken into income.

GENERAL.

As a step in providing dock and terminal facilities at the Toledo gateway, the Hocking Land Co. was formed in 1925, Hocking Valley Ry. subscribing to the entire stock and advancing \$1,280,000 of

which \$1,250,000 was used to purchase about 595 acres of land at Toledo near the mouth of the Maumee River.

During the 19 years 1908-27 the net addition to property accounts was \$20,663,136 (\$13,851,611 for additions and betterments and \$6,811,525 for equipment).

The construction of second track was completed from Columbus to Longley, about 25 miles from Toledo, in 1926.

Main and second track contained on December 31, 1927:

21 miles of 130-pound rail,	90 miles of 90-pound rail,
283 miles of 100-pound rail,	18 miles of 80-pound rail,
3 miles of 67-pound rail.	

Branches contained:

7 miles of 100-pound rail,	6 miles of 80-pound rail,
27 miles of 90-pound rail,	18 miles of 67-pound rail.
6 miles of 63-pound rail.	

Ballast in 277 miles of first track included 180 miles of stone, 56 miles cinder and slag, and 38 miles gravel.

Bituminous coal formed 83% of total tonnage in 1927 (80% in 1926, 82% in 1925, 80% in 1924, 76% in 1923).

Current Assets on December 31, 1927, amounted to \$3,429,003, including \$916,947 Material and Supplies, and Working Liabilities \$2,076,264. Credit balance to Profit and Loss was \$18,215,736 and there was also Appropriated Surplus amounting to \$505,361.

INDIANA HARBOR BELT R. R.

See Table, page 112.

Practically all the revenue of this company is from switching service in and around Chicago. In addition to 45 miles owned, 85 miles of tracks of other companies are used.

The stock is owned: 30% by New York Central R. R., 30% by Michigan Central R. R., 20% by Chicago & North Western Ry. and 20% by Chicago, Milwaukee & St. Paul Ry. No dividends have been reported.

Sale of \$2,600,000 capital stock at par to the proprietor companies was authorized in April, 1926, for the purpose of paying \$2,595,413 5% demand notes held by these companies. Owing to receivership of "St. Paul" the issuance of the stock was delayed and had not taken place early in 1928.

There are authorized \$25,000,000 General Mortgage bonds, due 1957, guaranteed by the four stockholding companies. In December, 1926, \$5,000,000 4½% bonds were sold at 94½ and of the proceeds \$2,500,000 was used to retire \$2,500,000 Chicago, Hammond & Western R. R. First Mortgage 6% bonds January 1, 1927. Under the General Mortgage \$4,225,000 4% bonds are

also outstanding. In 1923, \$579,000 5% bonds of this issue, owned and pledged, were cancelled.

The balance sheet of December 31, 1927, showed Current Assets \$4,295,519, including \$937,347 Material and Supplies, and Current Liabilities, \$2,933,828. Credit balance to Profit and Loss was \$4,914,878 and Total Corporate Surplus, \$4,962,942.

MICHIGAN CENTRAL R. R.

See Table, page 113.

Prior to January, 1907, 4% dividends were paid annually on the capital stock of this company. From 1907 to 1913 inclusive regular dividends at the rate of 6% were paid. In 1908 an extra dividend of 2% was paid. In 1914 the dividend was reduced to 4% which rate was maintained to 1921 when 6% was appropriated, 4% paid in 1921 and 2% in January, 1922. The appropriation was 14% in 1922, of which 4% regular and .6% extra was paid in January, 1923. With the July, 1923, dividend the regular rate was made 20% annually. In 1925 an extra dividend of 7½% was appropriated from earnings and paid in January, 1926. With the July semi-annual dividends in 1926 and 1927 the regular rate was increased to 35% and 40% successively, the latter rate being paid in 1928. In December, 1927, a 50% extra dividend was paid.

PROPOSED LEASE TO NEW YORK CENTRAL.

Under date of July 15, 1926, the New York Central R. R. announced a proposal to lease the Michigan Central R. R. including its several leaseholds (likewise to lease the C., C., C. & St. L. Ry. and through it the Cincinnati Northern R. R.) for 99 years at rental equal to \$50 a share annually on minority stock. It was stated that more than 99% of the stock was then owned by N. Y. Central R. R. As alternative to paying the dividend under rental, N. Y. Central offered to purchase stock at fair value agreed upon or determined by arbitration.

The New York Central R. R. owned in 1927, \$18,584,100 of Michigan Central R. R. stock, or 99.19% of total outstanding. It acquired \$16,819,300 in 1898 in exchange for its 3½% bonds at the rate of \$115 in bonds for each \$100 in stock. In 1922, 6,182 shares, in 1923, 3,272 shares and in 1924, 20 shares were acquired all at a cost of \$350 a share. In 1925, 1,410 shares were acquired at about \$558 per share. In 1926, 6,702 shares were acquired mostly at \$1,000 per share and in 1927, 62 shares at \$1,000 per share.

CANADA SOUTHERN RY.

The Michigan Central R. R. leases Canada Southern Ry., guaranteeing 3% dividends on the \$15,000,000 stock. The lease runs for 999 years from 1903. On December 31, 1927, \$8,160,100

(\$350,100 acquired in 1925 at cost of \$202,183) of this stock was owned by Michigan Central R. R., and advances to Canada Southern Ry. were \$4,712,756.

DETROIT RIVER TUNNEL CO.

In October, 1910, the Michigan Central R. R. completed at \$9,000,000 original cost a third-rail electric tunnel road under the Detroit River from Windsor, Ontario, to Detroit, $3\frac{1}{4}$ miles long, under the charter of the Detroit River Tunnel Co. The Michigan Central R. R. leases the Tunnel Co. for 999 years from January 1, 1907, guaranteeing the \$18,000,000 $4\frac{1}{2}\%$ bonds outstanding, due 1961, and 8% on the \$3,000,000 stock, all of which latter Michigan Central R. R. owns. The Tunnel Co. expended considerable sums, beyond the cost of the tunnel, in the acquisition of terminal yards and buildings.

GENERAL.

In the 1919 annual report it was stated that during the years 1914-1919 inclusive, 84 new locomotives, 65 new passenger cars, and 13,192 new freight cars were purchased at a cost of \$26,086,900, to duplicate which in 1919 would have cost a total of \$51,691,800.

A new double-track bridge, spanning the Niagara Gorge and replacing one built in 1883, was completed in 1924 at a total cost of \$2,438,000 of which \$1,047,000 was chargeable to operating expenses. Part of the latter amount is payable by Pere Marquette Ry., which uses the bridge under trackage agreement.

A tentative valuation of \$130,858,402 has been placed on total owned and \$150,703,973 on total used carrier property as of June 30, 1918. Land owned and used for transportation purposes comprised 17,658 acres valued at \$33,446,839. Securities of other companies held for non-carrier purposes had a par value of \$18,820,143 and book value of \$11,408,685.

Owned main tracks, 2,338 miles, December 31, 1927, contained: 52 miles of 127-pound rail, 1,229 miles of 105-pound rail, 137 miles of 100-pound rail, 23 miles of 95-pound rail, 486 miles of 90-pound rail, 145 miles of 80-pound rail, 69 miles of 65-pound rail, 68 miles of $62\frac{1}{2}$ -pound rail, 91 miles of 60-pound rail, 16 miles of 56-pound rail, and 20 miles of 52-pound rail.

With the installation between Niles, Mich., and Kensington, Ill., the entire main line, Detroit to Chicago, is equipped with automatic train control appliances.

FINANCES.

On December 31, 1927, Current Assets were \$22,321,163 (including \$6,169,092 Material and Supplies) and Current Liabilities were \$13,273,889. Among Investments \$6,000,000 U. S. Liberty and Treasury bonds were held. Credit balance to Profit and Loss was \$82,166,230 and Additions to Property through Income

and Surplus, \$6,811,654. In 1923 the company paid the Government \$10,500,000 in final settlement for federal control and received \$1,139,828 from the Government in settlement of guaranty.

NEW YORK, CHICAGO & ST. LOUIS R. R.

See Table, page 114.

Initial quarterly dividends at the rate of 6% on the preferred and common stocks were paid July 1, 1923, and were continued to and including January, 1926. An extra dividend of 1¼% was paid on the common stock in April, 1926, from investment income, and in July, 1926, the regular rate was made 11% annually including 5% from non-operating income. Following the distribution at the rate per share of 1.7 shares of Chesapeake Corporation stock in June, 1927, the dividend was reduced to 6% rate with the October quarterly payment. Dividends were begun at \$3 rate on the Chesapeake Corporation stock in October, 1927.

STOCK OFFERED FOR SUBSCRIPTION.

The holders of common stock of record March 12, 1928, were offered the right to subscribe to \$3,378,500 Series A 6% preferred and \$3,378,500 common stock, as of April 2, 1928, at prices of 106 and 100 respectively, at the rate of one share of preferred and one of common for each nine shares held.

SEGREGATION OF STOCKHOLDINGS.

During 1926 all of the holdings of the company in the stocks of Chesapeake & Ohio Ry. and Pere Marquette Ry. were delivered to a subsidiary in exchange for its stock. At the end of 1925 the Nickel Plate itself owned \$15,500,000 C. & O. Ry. stock valued at \$12,072,028 and \$12,000,000 P. M. Ry. stock valued at \$5,830,621. The subsidiary, the Special Investment Corporation, was stated to own in May, 1927, \$34,500,000 C. & O. Ry. common stock and \$120,000 prior preference, \$880,000 preferred, and \$17,490,000 common P. M. Ry. stock. Against these holdings there was approximately \$34,000,000 indebtedness. The P. M. Ry. common stock was under option for sale at 110 as of January 1, 1927, to Chesapeake & Ohio Ry., but the option expired July 1 and was not renewed. In May, 1927, the 345,000 shares of C. & O. Ry stock were delivered, subject to \$67.50 per share indebtedness, or \$23,287,500, to the Chesapeake Corporation in exchange for 517,500 shares of its stock. These shares of Chesapeake Corporation stock were distributed May 31, 1927, to Nickel Plate common stockholders in the ratio of 1.7 per share and Profit and Loss was debited \$16,667,680 on account of the 516,910.5 shares distributed. Dividends at the rate of \$3 were begun in October, 1927, on the Chesapeake Corporation stock,

the dividend on Nickel Plate common stock being reduced from 11% to 6% rate. The Chesapeake Corporation owns \$60,000,000 Chesapeake & Ohio Ry. stock. See under Chesapeake & Ohio Ry. regarding proposed stock control of Erie R. R. and Pere Marquette Ry. by that company.

At December 31, 1926, the Nickel Plate owned 304,065 shares of Special Investment Corporation, carried at a cost of \$17,902,649, representing book value of the C. & O. and P. M. Ry. stocks exchanged therefor. At the same date the Special Investment Corporation owned \$28,850,000 C. & O. stock valued at \$30,990,825 cost, and \$120,000 prior preference, \$880,000 preferred, and \$17,490,000 common stock of P. M. Ry. carried at costs of \$110,845, \$784,759, and \$11,572,623 respectively.

At December 31, 1927, the Nickel Plate owned 304,065 shares of Pere Marquette Corporation, carried at cost of \$1,215,977, received in exchange for Special Investment Corporation stock. At the same date the Pere Marquette Corporation owned the Pere Marquette stocks previously held by the Special Investment Corporation. During 1927, the Nickel Plate distributed \$16,667,680 book value of Chesapeake Corporation stock, representing the Chesapeake & Ohio Ry. stock holdings of the Special Investment Corporation.

Holdings of Pere Marquette Ry. common stock were optioned at 133.33 to Chesapeake & Ohio Ry. for one year from June 12, 1928. In July, 1928, the C. & O. Ry. applied for authority to exercise the option. Its proposal to acquire control of P. M. Ry. was approved in May, 1928, but price was limited to 110 for stock.

OWNERSHIP OF STOCK.

The following shows the inter-relation by stock ownership of Nickel Plate R. R., Chesapeake & Ohio Ry., Erie R. R., and Pere Marquette Ry.:

BY VAN SWERINGENS OR VANESE CO. (Estimated).

	Total.	Owned.
Nickel Plate R. R. com., shares.....	303,477	164,700
Chesapeake Corporation, shares.....	900,000	662,500

BY "NICKEL PLATE" R. R. (December 31, 1927).

(Through subsidiary ownership.)

Pere Marquette Ry. com., shares.....	450,460	*174,900
" " " prior pref., shares.....	112,000	1,200
" " " pfd., shares	124,290	8,800

*Optioned to Chesapeake & Ohio Ry. at 133.33 for one year from June 12, 1928.

BY CHESAPEAKE CORPORATION (1928).

Chesapeake & Ohio Ry. com., shares.....	*1,178,094	600,000
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*Subject to increase by preferred stock conversion.

*BY CHESAPEAKE & OHIO RY. (December, 1927).

(Through subsidiary ownership.)

Erie R. R. com., shares	1,511,167	357,300
" " 1st pfd., shares	479,044	137,405
" " 2nd pfd., shares	160,000	50,495
Pere Marquette Ry. prior pref., shares.....	112,000	2,100
" " " preferred, shares	124,290	12,600
" " " common, shares	450,460	2,300

*Also under option, 476,739 common, 24,695 first, and 24,705 second preferred shares of Erie R. R. early in 1927 and 36,500 shares of Pere Marquette Ry. common stock at 110 and 174,900 at 133.33 in July, 1928. Control of Hocking Valley Ry. has been held for years.

INTEREST IN WHEELING & LAKE ERIE RY.

During 1927, the Nickel Plate purchased \$5,600,000 common stock, \$3,839,800 prior lien preferred stock, and \$493,300 preferred stock of Wheeling & Lake Erie Ry., substantially equal amounts being purchased by Baltimore & Ohio R. R. and New York Central R. R. Total \$9,933,100 par value of W. & L. E. stocks was carried at \$9,749,019 cost and book valuation.

FORMATION OF PRESENT COMPANY.

The present company was formed under a plan for consolidation (dated December 28, 1922, and approved June, 1923, by the Interstate Commerce Commission) merging into the New York, Chicago & St. Louis R. R., the Toledo, St. Louis & Western R. R. (stock interest acquired March, 1922, by interests controlling the N. Y., C. & St. L. R. R.), and the Lake Erie & Western R. R. (stock control acquired April, 1922, in interest of N. Y., C. & St. L. R. R., and operated under contract by latter from July 1, 1922).

Stock in the new New York, Chicago & St. Louis R. R. Co. was authorized for exchange on the following basis:

For Each 100 Shares	New Company Shares	
	Preferred	Common
N. Y., C. & St. L. (Old Co.) 1st & 2nd pfd..	100	...
N. Y., C. & St. L. (Old Co.) common.....	...	100
Lake Erie & Western preferred.....	50	40
Lake Erie & Western common.....	...	45
Toledo, St. L. & Western preferred.....	65	...
Toledo, St. L. & Western common.....	...	80

Including \$1,500,000 stock of Chicago & State Line R. R., and \$3,787,900 stock issued (\$4,000,000 authorized) of Fort Wayne, Cincinnati & Louisville R. R., both wholly owned within the system, the consolidating companies had \$105,500,000 stock authorized and \$78,967,900 outstanding. The consolidated company was to have like amounts authorized and issued, but of the issued stock \$60,484,000 was to be outstanding, the balance, \$18,483,900 (\$14,183,-

900 common; \$4,300,000 preferred), to be retained in the treasury. Of the stock to be outstanding \$28,420,000 (against \$38,640,000 of constituent companies) was to be preferred stock, and \$32,064,000 (\$40,327,900, constituent companies) common stock. To December 31, 1927, \$78,842,200 stock had been issued in exchange, leaving a stock liability for conversion of \$125,700. Of the issued stock (partly due to contributions by stockholders and to other adjustments incident to consolidation) \$15,798,066 common and \$1,424 preferred were held in the treasury on December 31, 1927, and \$6,848,500 preferred that had been so held was sold in December, 1926. There were offered for subscription by common stockholders as of April 2, 1928, \$3,378,500 of the common stock held by the company at a price of 100 and \$3,378,500 preferred stock issued for the purpose at a price of 106.

The non-voting preferred stock, Series A issued, is entitled and limited to 6% cumulative dividends payable quarterly, and is redeemable at 115 three years from date of issue in amounts of not less than \$1,000,000 pro rata or by lot.

Funded debt of constituent companies was not disturbed in consolidation.

Holders of about 50,000 shares of stock in the old "Nickel Plate" obtained from the Van Sweringen interests cash payments at the rate of 102 for the first preferred, 93 for second preferred and 91½ for the common stock. Stockholders based claim for these prices on a former provision in the laws of Ohio, that stockholders refusing to convert stock into that of a consolidated company must be paid the highest market price reached during two years prior to the date consolidation might take effect.

In October, 1923, \$15,000,000 of the new company 6% preferred stock received in exchange for constituent company stocks by O. P. and M. J. Van Sweringen was purchased from them by a syndicate and publicly offered at \$87.50 per share. The Van Sweringens stated that proceeds would be used to retire obligations incurred in their purchases of constituent company stocks and that they retained controlling interest in Nickel Plate common stock.

At time of the offer it was stated combined revenues and income of the consolidated companies had been as follows:

Year	Oper. Rev.	Gross Inc.	Net after Chges.
1922	\$50,948,424	\$8,853,609	\$5,339,963
1921	45,547,039	7,137,392	3,724,058
1920*	52,385,412	7,242,276	3,710,920
1919*	41,518,661	6,151,505	2,885,188
1918*	40,306,413	4,579,246	1,585,194
1917	32,065,664	5,141,997	2,254,255
1916	28,751,099	6,696,418	4,058,917

*Operations by U. S. R. R. Administration January 1, 1918—March 1, 1920.

Upon completion of exchange of stocks in the consolidation, the Vaness Co., a large majority of the common stock of which is owned by the Van Sweringens, held \$18,826,800 preferred and \$19,170,000 common stock of the New York, Chicago & St. Louis R. R. Subsequently the Vaness Co. held \$16,470,000 Nickel Plate common stock and no preferred stock. At December 31, 1927, the Vaness Co. held \$1,600,000 Nickel Plate common stock, the Van Sweringens held \$6,150,000, and \$7,107,300 additional was apparently held in the interest of the Van Sweringens.

UNIFICATION PROPOSAL IN 1924.

Under date of August 20, 1924, O. P. and M. J. Van Sweringen announced a Proposal for the Unified Control and Operation of the New York, Chicago & St. Louis R. R., the Chesapeake & Ohio Ry., the Hocking Valley Ry., the Erie R. R., and the Pere Marquette Ry. Organization of a new Railway Co. was contemplated to acquire control of these properties, either by 999-year lease, and /or by acquisition of at least a majority of their capital stocks, or otherwise.

Stocks of the companies to be brought in were to receive new Railway Co. 6% cumulative preferred stock without voting power, and common stock upon which 6% dividends were proposed, in the following ratios:

For 100 Shares		New Company Shares	
		Preferred	Common
Chesapeake & Ohio	1st Pfd.	115	..
Chesapeake & Ohio	2nd Pfd.	115	..
Chesapeake & Ohio	6½% Pfd.	115	..
Chesapeake & Ohio	Common	55	55
Hocking Valley	Capital Stock	50	50
Erie	1st Pfd.	50	..
Erie	2nd Pfd.	50	..
Erie	Common	..	40
Pere Marquette	Prior Pref.	100	..
Pere Marquette	Pfd.	90	..
Pere Marquette	Common	..	85

No shares of the new Railway Co. were to have been issued for Hocking Valley Ry. stock owned by Chesapeake & Ohio Ry. Convertible bonds of the Chesapeake & Ohio Ry. and Erie R. R. were to be exchangeable (during the period of their conversion right) for such new Railway Co. stock as would be issuable for the present company's stock to which they are, or would be, entitled.

Stockholders of the New York, Chicago & St. Louis R. R. were not to have received new Railway Co. stock, but the New York, Chicago & St. Louis R. R. would become a holding company, receiving New Company stock, preferred and common, in amounts

equal to its own outstanding stocks (including stock liability for conversion, but not including treasury stock) and also receiving new Railway Co. stock in exchange for its holdings of \$15,500,000 Chesapeake & Ohio Ry. common stock and \$12,000,000 Pere Marquette Ry. common stock.

As alternatives to exchange for stock in the new Railway Co., stockholders in the five constituent companies were to have been entitled, under terms of the leases as finally determined, either (1) to obtain a cash payment for stocks at average market prices prevailing for six months prior to date of approval of the lease by the lessor or at prices fixed by appraisers, or (2) to hold a status as stockholders in the lessor companies (except New York, Chicago & St. Louis R. R.) and receive dividends payable as a part of rental, varying however as dividends paid on new Railway Co. preferred and common stocks might be more or less than 6%. See under Chesapeake & Ohio Ry., Erie R. R., Hocking Valley Ry., and Pere Marquette Ry. for special provisions in each case. The following comparison was based on payment of 6% dividends on new Railway Co. preferred and common stocks:

	Obtainable through Exchange	under Rental	Actual Rate of Dividend
Chesapeake & Ohio, pfd.....	6.9%	6.5%	6.5%
Chesapeake & Ohio, com.	6.6	6.0	4.0
Hocking Valley, stk.....	6.0	5.5	4.0
Pere Marquette, prior pref.....	6.0	5.0	5.0
Pere Marquette, pfd.	5.4	5.0	5.0
Pere Marquette, com.	5.1	4.5	4.0

In the case of Erie R. R. the company was to receive a rental equal to 3% on preferred and 2.4% on common stocks remaining unexchanged, from which total fund first preferred would have had priority to 4% dividends, then second preferred to extent of 4%, and common stock would have received any amount remaining. For the first year the first preferred stock was to be limited to 3% and would never have received more in event no second preferred or common stock remained unexchanged.

Of stocks in companies whose unification was proposed, the Vaness Co. in May, 1925, held \$17,480,000 Chesapeake & Ohio common stock (cost about \$16,180,000), \$3,000,000 Pere Marquette common stock (cost about \$1,900,000), and of Erie R. R. \$38,700,000 common, \$2,470,000 first preferred and \$5,260,000 second preferred stocks (total cost about \$11,200,000). These holdings were additional to \$15,500,000 Chesapeake & Ohio and \$12,000,000 Pere Marquette common stocks owned by the Nickel Plate R. R. Of a total \$32,980,000 Chesapeake & Ohio common stock acquired, \$7,300,000 was purchased from the Huntington family at par and

\$7,000,000 of this stock taken by the Nickel Plate at cost of 80, the Van Sweringens assuming the cost remaining.

PLAN DISAPPROVED.

On March 2, 1926, the Interstate Commerce Commission denied the application of the New York, Chicago & St. Louis Ry. (the proposed new company) to effect a unification on the terms proposed. The grouping was found to be in the public interest from a transportation viewpoint but the terms and conditions were not found to be just and reasonable.

Of the eleven members of the Commission three did not participate in the decision. One member did not concur in the majority opinion. While concurring in the majority opinion, four members of the eight participating in the decision were not in accord with the view that unification would be desirable from the transportation standpoint.

The majority opinion pointed out that without additional stock purchases by the proponents of the plan a control of less than 33% of the voting stock of companies affected would have been increased to more than 50% principally by issuance of non-voting preferred stock. This control would have been held through the Vaness Co., the personal holding company of the Van Sweringens, the voting stock of which in 1924 had been trustee for a period to be 21 years following the death of the last surviving of four managers of the trust.

Criticism was also directed to the lease provisions "designed to coerce" non-assenting stockholders into exchange of stock and to the treatment accorded Chesapeake & Ohio and Hocking Valley minority stockholders while lease terms were under consideration. The Commission declined the applicant's request to indicate suitable ratios for exchange of stocks. It emphasized the necessity of including short lines and branch lines within the territory in any such unification.

Following the Interstate Commerce Commission decision the stocks deposited under agreement were released.

A new plan by which Chesapeake & Ohio Ry. would acquire stock control of Erie R. R. and Pere Marquette Ry. was approved by the Interstate Commerce Commission in May 1928, as regarded P. M. Ry., but not as regarded Erie R. R. Participation of Nickel Plate R. R. was limited to proposed sale of P. M. Ry. stock to C. & O. Ry.

MISCELLANEOUS.

In 1918, a Second and Improvement Mortgage was delivered, authorizing \$25,000,000 bonds to mature before 1931 and \$4,956,000 of these bonds were then sold. In January, 1923, \$7,274,000 Second and Improvement Mortgage 6% bonds were publicly offered at par. The \$10,000,000 4% debenture bonds due 1931, are equally secured

under this mortgage. On December 31, 1927, \$690,000 Second and Improvement Mortgage bonds were owned unpledged and \$1,389,000 were pledged.

A Refunding Mortgage was created under date of April 1, 1924, limited to an amount which, including bonds reserved to retire prior debt, shall not exceed three times the par value of outstanding stock. The mortgage is secured on all property (including by first mortgage on 637 acres of terminal lands mostly in Chicago and Cleveland, costing over \$5,000,000) and equipment, subject to \$68,914,000 underlying bonds (including pledged bonds) and equipment obligations. In June, 1924, \$26,058,000 5½% Series A 50-year bonds were sold, proceeds for reimbursement of the company for capital expenditures. In December, 1925, \$9,575,000 5½% Series B bonds were sold at 95 to bankers, representing the refunding of a like amount of Toledo, St. Louis & Western R. R. 3½% bonds which matured July 1, 1925.

In December, 1926, \$6,848,500 6% preferred stock held in the treasury was sold to fund additions and betterments.

See under Lake Erie and Western R. R. and Toledo, St. Louis & Western R. R. regarding interests acquired in those railroads. In January, 1923, it was announced that the Van Sweringen interests had purchased stock-holdings of Henry E. Huntington and associates in the Chesapeake & Ohio Ry., giving control of that company. As of December 31, 1925, the Nickel Plate owned \$15,500,000 Chesapeake & Ohio common stock, carried on the books at \$12,072,028; also \$12,000,000 Pere Marquette Ry. common stock, valued at cost of \$5,830,621. Of the C. & O. stock, \$6,630,000 was acquired at cost of \$5,072,248 during 1924. The Pere Marquette stock was acquired in August, 1924.

Balance sheet December 31, 1927, showed Current Assets (including \$3,266,289 Materials and Supplies) \$16,047,023, and Current Liabilities (including \$8,300,000 Loans and Bills Payable) \$17,424,069. Credit to Profit and Loss was \$33,639,632 and Appropriated Surplus \$581,198. In 1926 \$3,104,085 was debited to Profit and Loss for Discount on Funded Debt. In 1927 \$16,667,680 was debited on account of distribution of 516,910.5 shares of Chesapeake Corporation stock.

At *December 31, 1922*, the credit to Profit and Loss accounts of the *constituent companies* amounted to \$17,421,930. At *December 31, 1923*, the merger having been consummated, the credit balance to Profit and Loss amounted to \$35,883,692, as shown by the first annual report of the Consolidated Company. This increase in the credit balance was largely accounted for by a credit of approximately \$15,000,000, representing the par value of capital stock contributed to the company's treasury under the agreement and articles of consolidation. In 1924 a further credit of \$7,182,523 was made to Profit and Loss for "capital expenditures from income in prior years restored to free surplus upon refunding with new bonds."

CHARACTER OF RAIL.

As of December 31, 1927, weight of rail in owned main track of the New York, Chicago & St. Louis R. R. was as follows:

203 miles of 110-pound rail,	439 miles of 80-pound rail,
9 " " 105- " "	215 " " 75- " "
918 " " 90- " "	26 " " 56- " "
30 " " 85- " "	

FORMER "NICKEL PLATE."

The first and second preferred stocks were entitled to 5% non-cumulative dividends, and after 5% should have been paid on the common stock, all classes of stock shared alike in any further dividends. Dividends were paid from 1913 as follows:

	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22
1st preferred, %.....	5	0	5	5	5	5	0	*10	*10	5
2nd preferred, %.....	5	0	0	0	5	2½	*2½	*7½	*12½	5
Common, %	4	0	0	0	0	0	0	0	*15	5

**Paid in part from income of preceding years.*

From 1882 until January, 1915, the date of the consolidation of the latter with the New York Central & Hudson River R. R., the Lake Shore & Michigan Southern Ry. owned \$2,503,200 first preferred, \$6,275,000 second preferred, and \$6,240,000 common stock of this road. This stock was acquired by the New York Central R. R. but in July, 1916, was disposed of to the Van Sweringen interests of Cleveland, for \$2,000,000 in cash and \$6,500,000 in notes, secured by the stock, bearing interest at the rate of 4% per annum for five years and 5% thereafter. These notes mature \$650,000 annually beginning 1921.

TOLEDO, ST. LOUIS & WESTERN R. R.

(Merged into N. Y., C. & St. L. R. R. in 1923)

In March, 1922, the Vaness Co. (Van Sweringens) of Cleveland, purchased \$3,989,000 preferred and \$6,050,000 common stock (a majority) at a cost of about \$3,500,000. Prior to consolidation \$1,450,000 additional common stock was accumulated.

On stock of the Toledo, St. Louis & Western, dividends of \$4.60 and \$1.95 a share were paid on the preferred and dividends of \$4 (initial) and \$2.40 on the common stock in February and July 1923.

On October 22, 1914, receiver was appointed for this company owing to default on the \$11,527,000 Chicago & Alton R. R. collateral trust bonds (see a following paragraph). Settlement having been effected for this default, receivership was terminated December 31, 1922, without readjustment or contribution of new capital.

The preferred stock was entitled to 4% non-cumulative dividends and the common stock to all further dividends for the year.

In April, 1907, an initial dividend at the rate of 4% was paid on the preferred stock. Regular payments of 4% per annum were continued until January, 1912, when the dividend was passed. Dividend payments for 1910-11 exceeded surplus earnings by \$325,307, and the deficit for 1911-12, after payment of 2% on the preferred stock, was \$254,980.

The Detroit & Toledo Shore Line R. R. 4% bonds (present issue \$3,000,000) are guaranteed principal and interest jointly by the Toledo, St. Louis & Western R. R. and the Grand Trunk Western Ry., each company owning \$714,000 (one-half) of the capital stock. \$416,000 of the bonds were in the treasury of the Toledo, St. Louis & Western R. R. on December 31, 1922. The Detroit & Toledo Shore Line R. R. has paid dividends as follows: 1907-8, 4%; 1908-9, 6%; 1909-10 and 1910-11, 8% each; 1911-12, 16%; 1912-13, 8%; 1913-14, 8% cash and \$630,000 Detroit & Toledo Shore Line 4% bonds; 1914-15, 14% cash and \$82,000 bonds; 1915-27, 8% cash. In addition to the regular dividends of 8%, special dividends were paid of 28.01% in 1919, 39.014% in 1922, 8% in 1923, 18% in 1926, and 26% in 1927.

In 1907 and 1909 this company acquired from the Chicago, Rock Island & Pacific Ry. the latter's majority holdings of Chicago & Alton R. R. stock, viz.: \$6,480,000 preferred and \$14,420,000 common stock. For this stock the "Clover Leaf" (Toledo, St. Louis & Western R. R.) issued two series of collateral bonds, which were exchanged dollar for dollar for Chicago & Alton R. R. preferred stock and \$35 in bonds for each \$100 in common stock. The bonds were secured by the deposit respectively of Chicago & Alton preferred and common stock. The August, 1914, and subsequent coupons were not paid and payment at maturity August 1, 1917, was likewise defaulted.

The Clover Leaf in 1908-9 received 4% dividends on the Chicago & Alton R. R. stocks amounting to \$836,000. In 1909-10, the amount thus received by the Clover Leaf was \$547,600, being 4% and 2% respectively on preferred and common stocks. In August, 1910, the Alton common dividend was passed, and in July, 1911, the preferred dividend. The Clover Leaf received in 1910-11, \$129,600 from dividends on this stock. Interest charges on the collateral bonds amounted to \$360,140 per annum until July 31, 1912, after which date they were \$461,080 per annum.

Settlement of litigation begun in 1914 was effected in October, 1921, resulting in cancellation of the \$11,527,000 defaulted bonds, together with all interest coupons. Holders of \$6,080,000 Series A bonds received for each \$1,000 bond 12.5 shares of common and 5.6 shares of preferred stock of Chicago & Alton R. R., 1.8 shares of common and 1.8 shares of preferred stock of Toledo, St. Louis & Western R. R., and \$152 cash. Under this arrangement the

railroad company supplied \$1,130,000 in cash and holders of stock with the protective committee submitted to deduction of ten shares from each certificate for 100 shares, to be delivered to bondholders, the railroad company agreeing to pay for this stock on basis of \$70 for preferred shares and \$30 for common shares. The Chicago, Rock Island & Pacific Ry. held \$400,000 of the A bonds and the entire issue of \$5,047,000 B bonds. Under the agreement the Rock Island received only the Chicago & Alton stock pledged under the bonds it held, but was generally released from claims growing out of the original sale of the stock to the Toledo, St. Louis & Western. Total cost to the Clover Leaf, including \$1,600,000 litigation expenses, was \$2,730,000, or approximately \$1,900,000 less than accrued interest on the A and B bonds. In 1922, \$2,053,967 was credited to Profit and Loss representing excess of accrued interest on A and B bonds over cost of settlement.

A comparison follows showing the amount of equipment in service *December 31, 1922*, and that in service *June 30, 1901*:

	1922	1901	Increase
Locomotives	98	81	17
Passenger Train Cars	35	34	1
Freight Cars	2,938	3,141	dec. 203
Service Equipment	158	58	100

As of *December 31, 1922*, main track contained:

322 miles of 80-pound rail,	28 miles of 70-pound rail,
99 miles of 75-pound rail,	1 mile of 61½-pound rail.

LAKE ERIE & WESTERN R. R.

(Merged into N. Y., C. & St. L. R. R. in 1923.)

From July 1, 1922, to January 1, 1923, this property was operated under agreement by the New York, Chicago & St. Louis R. R.; thereafter consolidated.

A dividend of \$2.70 a share was paid in July, 1923, on preferred stock deposited in exchange for Nickel Plate stock.

On April 26, 1922, the Van Sweringen interests arranged with the New York Central R. R. to purchase the latter's large majority holdings of Lake Erie & Western stock. These 59,300 shares of preferred and 59,400 shares of common stock were purchased for \$35 and \$15.57 a share respectively. A loss of \$2,847,017 was debited to Profit and Loss by New York Central R. R. in 1922. Payment was in instalments over a period of five years; with interest on unpaid balances. The Van Sweringen Co. offered to buy minority stock on similar terms.

Prior to consolidation \$3,370,000 preferred and \$760,000 common stock additional was accumulated by the Van Sweringen interests.

The preferred stock of Lake Erie & Western R. R. was en-

titled to 6% non-cumulative dividends, and after the common stock received 6% both issues were entitled to share pro rata.

The preferred stock received 4% in 1901, 1902 and 1903, 3% in 1904, 4% in 1905, and 3% in 1906 and 1907. In January, 1908, 1% was paid, but in July, 1908, dividends were suspended.

PEORIA & EASTERN RY.

See Table, page 115.

The Cleveland, Cincinnati, Chicago & St. Louis Ry. owns \$5,000,100 of the \$9,994,200 stock outstanding and since 1890 has operated the Peoria & Eastern Ry. under agreement, the "Big Four" guaranteeing as to interest but not principal the \$8,376,000 First Consolidated Mortgage bonds (due 1940) and prior liens. Operating agreement would be transferred to New York Central R. R. under lease of the "Big Four" proposed in 1926.

Interest on the \$4,000,000 Income bonds is payable when earned on April 1 of each year from earnings of preceding calendar year. Owing to the fact that the Peoria & Eastern Ry. used its surplus earnings toward extinguishment of a debt to the Big Four, no interest was paid on these bonds prior to 1902. Interest payments have been as follows: 1902-08, 4%; 1910-11, 4%; and 1913, 4%.

A protective committee was formed in 1914 for the Income bondholders. A reduction of \$560,000 in operating debt of the company to the Big Four was obtained. In 1920 the committee reported that another reduction in operating debt to the Big Four of about \$144,000 had been obtained. The committee was then disbanded.

As of December 31, 1927, the Peoria & Eastern Ry. owed the Big Four \$1,237,681 on operating account (interest paid at 6%), also \$20,000 5% notes. Investment in physical property, \$104,626 in 1927, \$78,011 in 1926, and \$142,401 in 1925, was deducted from income, but \$218,729 expended in 1924 was charged to this operating account. The Big Four holds a cash fund amounting December 31, 1927, to \$284,858 belonging to the Peoria & Eastern Ry. and representing charges for retirement and depreciation of equipment. Interest at 6% is credited to the P. & E. Ry.

The Peoria & Eastern Ry. at December 31, 1927, owned \$173,000 stock (\$1,000,000 outstanding) and \$20,000 (\$120,000 outstanding) debentures of the Peoria & Pekin Union Ry.; also the \$5,000,000 Big Four Springfield Division purchase money bonds.

In December, 1921, the Big Four offered to purchase the Income bonds and \$4,994,100 stock outstanding in public hands, paying \$2,118,000 in 4½% First Mortgage bonds of the Evansville, Mt. Carmel & Northern Ry. Co., to be guaranteed by the Big Four, on the basis of \$1,000 Mt. Carmel bond for \$3,000 Peoria & Eastern Income bonds and \$1,000 Mt. Carmel bond for 60 shares of Peoria & Eastern stock.

Operating results for a series of years prior to the suspension (1913) of the issuance of annual reports were as follows:

Year	Mileage	Oper. Rev.	Net Inc.	Year	Mileage	Oper. Rev.	Net Inc.
1905	350	\$2,960,727	\$377,457	1909	352	\$3,026,856	\$271,756
1906	352	3,059,281	451,591	1910	352	3,536,068	264,129
1907	352	3,010,347	254,592	1911	352	3,218,284	8,373
1908	352	2,728,154	54,877	1912	352	3,429,867	256,101

Annual reports are now issued, but in a form quite different from earlier reports, inasmuch as the terms of the lease have in recent years been construed in a manner altogether different from that obtaining when the above income figures were officially submitted.

PERE MARQUETTE RY.

See Table, page 116.

The present company took possession of the property April 1, 1917, upon reorganization of Pere Marquette R. R.

The cumulative prior preference stock has received regular 5% dividends (quarterly, February) since April 1, 1917. The 5% preferred stock did not become cumulative until January 1, 1919. In January, 1922, a 10% dividend was declared, discharging the accumulation to December 31, 1920; and in May, August, and November, 1922, 1%, and in February, 1923, 2% payments were made, discharging the entire accumulation. The preferred stock was placed on a current 5% dividend basis beginning 1922.

An initial quarterly dividend of 1% on the common stock was paid July 2, 1923, and a 4% rate was continued. A dividend of ½% was paid in May, 1926, to make 1½% for the first quarter of the year, also 2% extra dividend. With the July, 1926, dividend the rate was made 6% regular. In April, 1927 and 1928, 2% extra dividends were paid.

In May, 1927, stockholders authorized an increase in common stock for the purpose of paying a 20% stock dividend. The company declared the dividend for payment October 1, 1927, but in the lack of Interstate Commerce Commission approval it was not paid. In October, 1927, the Interstate Commerce Commission refused to allow the \$9,009,200 stock to be issued, on the ground that only \$6,844,561 assets were capitalizable.

The five-year voting trust for all classes of stock expired March 1, 1922, and the stock certificates were distributed.

Surplus earnings since the property was taken over by the new company, April 1, 1917, to December 31, 1927, amounted to \$46,926,431 on the basis of actual operations (excluding Government rentals, etc.). Preferred dividends in this period approximated \$12,949,169, and common dividends \$12,162,420.

STOCK CONTROL SOUGHT.

The Chesapeake & Ohio Ry. in February, 1927, applied to the Interstate Commerce Commission for authority to acquire stock control of Pere Marquette Ry., also Erie R. R. A subsidiary of the C. & O. Ry. at the close of 1927 owned \$210,000 prior preference (cost 93.194), \$1,260,000 preferred (cost 90.287) and \$230,000 common stock (cost 117.565) of the P. M. Ry. Also early in 1927 it held options to purchase \$26,140,000 common stock, including \$17,490,000 at 110 from a "Nickel Plate" R. R. subsidiary. Option on the Nickel Plate holdings expired July 1, 1927, and renewal was refused. Another option was subsequently arranged at a price of 133.33 for one year from June 12, 1928, and the Chesapeake & Ohio Ry. applied for authority to exercise the option and to issue \$30,000,000 new stock at 100 to provide the necessary funds.

CONTROL BY C. & O. RY. APPROVED.

In May, 1928, the Interstate Commerce Commission approved with conditions the acquisition of control of Pere Marquette Ry. by Chesapeake & Ohio Ry. but disapproved the acquisition of Erie R. R. Additional purchases of P. M. Ry. common stock by C. & O. Ry. were limited to a price of 110. From the transportation standpoint, the P. M. Ry. was supplementary to the C. & O. Ry., it was found by the Commission.

UNIFICATION PROPOSED IN 1924.

Under date of August 20, 1924, O. P. and M. J. Van Sweringen announced a Proposal for the Unified Control and Operation of the New York, Chicago & St. Louis R. R., the Chesapeake & Ohio Ry., the Hocking Valley Ry., the Erie R. R., and the Pere Marquette Ry. (For details, see under New York, Chicago & St. Louis R. R.) The Plan involved leasing the properties of these companies by a New Company which would issue its stocks in exchange.

Holders of Pere Marquette Ry. prior preference stock for each 100 shares were to be entitled to 100 shares of New Company preferred (6% cumulative), for each 100 shares preferred stock 90 shares of New Company preferred, and for each 100 shares common stock 85 shares of New Company common (which it was expected would receive 6% dividends).

On August 28, 1924, directors of the Pere Marquette Ry. passed a resolution recommending that stockholders accept the proposal, deposit their stocks for exchange, and give proxies to a committee formed to carry out the Plan. Stockholders in March, 1925, voted to accept the lease.

As approved by stockholders, the lease provided that stock withheld from exchange would be entitled to receive either a cash price equal to average market price for six months prior to approval of the lease or as fixed by arbitration, or to receive dividends as part

of rental equal to 5% on preferred stocks and 4½% on the common stock, such dividends to vary as the New Company preferred and common stocks paid more or less than 6%.

In March, 1926, the Interstate Commerce Commission disapproved the Plan.

BONDS SOLD.

In October, 1923, \$12,500,000 First Mortgage 5s were sold, being the first important financing effected since reorganization. Proceeds of the sale amounted to \$11,501,736. It was stated proceeds were to be used to reimburse the company for retirement of \$2,870,000 Canadian Division bonds, and in part for capital expenditures which from organization to August 31, 1923, had totaled \$36,232,561 and against which no First Mortgage bonds had been issued. On December 31, 1927, \$14,204,000 First Mortgage 5s were held unpledged in the treasury.

GENERAL.

Pere Marquette Ry. paid for use of the facilities of other companies \$1,473,292 in 1927 (\$1,687,930 in 1926) of which \$463,192 was included in operating expenses. Tracks of Michigan Central R. R. are used for about 140 miles from St. Thomas, Ont., to Buffalo and Suspension Bridge, N. Y.

Owned main tracks included at December 31, 1927:

53 miles of 110-pound rail,					85 miles of 70-pound rail,				
862	"	"	90-	"	97	"	"	67-	"
232	"	"	85-	"	261	"	"	60-	"
51	"	"	82-	"	212	"	"	56-	"
208	"	"	75-	"					

On December 31, 1915, an appraiser appointed by the Michigan Railroad Commission reported that the cost of reproduction of the Pere Marquette property would be \$96,961,771, and cost, less depreciation, \$78,545,241.

In July, 1922, the Interstate Commerce Commission announced a tentative "final value" as of June 30, 1915, for the property, of \$63,309,242.

The uniform rate of depreciation on equipment was made 4% in 1926 superseding 3% and 4½% rates and resulting in about \$110,000 additional charge to expenses.

Bituminous coal formed 27%, oil 4%, lumber 5%, and automobiles approximately 3% of tonnage in 1927.

The Pere Marquette Ry. in 1923 purchased at par \$240,000 stock of the Belt Ry. Co. of Chicago. The \$3,120,000 stock of the latter is owned by thirteen railroad companies.

Current Assets on December 31, 1927, were \$12,065,577 (including \$7,098,556 cash or equivalent and \$3,227,021 Material and Supplies) and Current Liabilities were \$5,883,294. Profit and Loss credit balance was \$23,622,859 and Total Corporate Surplus \$23,821,227.

FIRST RECEIVERSHIP.

In 1905, a receiver was appointed for the Pere Marquette, as well as for the Cincinnati, Hamilton & Dayton Ry. In 1907, reorganization was effected without foreclosure. The lease to the C. H. & D. Ry., made in 1905, following the purchase by that company of a large block of Pere Marquette R. R. stock, was cancelled and the Court awarded the Pere Marquette R. R. the net sum of \$1,364,387, in settlement of all claims against the C. H. & D. Ry. In 1911, the C. H. & D. Ry. sold its holdings in Pere Marquette R. R. stock (\$11,000,000 common) to J. P. Morgan & Co. Profit and Loss of the C. H. & D. Ry. was debited \$11,220,000 on this transaction (loss equivalent to about \$102 per share of stock owned).

The total authorized stock of the old company was \$12,000,000 preferred and \$16,000,000 common stock. The preferred stock consisted of two classes; 4% first preferred stock and 4% second preferred stock. No dividends were paid.

The new company assumed the bonded debt, and issued to stockholders at par \$5,000,000 6% debentures due July 1, 1912, to pay off receiver's certificates, floating debt, etc. Payment of the principal and interest of these bonds was defaulted July 1, 1912.

SECOND RECEIVERSHIP AND REORGANIZATION.

On April 6, 1912, receivers were again appointed. Interest was subsequently defaulted on all excepting about \$8,000,000 of the \$77,513,016 outstanding bonds, notes, equipment certificates, etc., this total including bonds on which the principal was defaulted. In 1913, the \$16,000,000 Improvement and Refunding General Mortgage 5% bonds securing the 6% notes were sold under foreclosure for \$6,395,236.

Under date of October 30, 1916, a plan of reorganization was announced and was subsequently declared operative. Two issues of bonds, viz: the Pere Marquette R. R. collateral trust 4% bonds of 1923 (\$2,870,000) and the Lake Erie & Detroit River Division collateral 4½% bonds of 1932 remained undisturbed.

The new company authorized the following securities: (1) \$75,000,000 First Mortgage bonds of which \$24,445,000 were utilized under the plan of reorganization in exchange for securities of the former company, \$6,000,000 were sold to a purchase syndicate and the balance reserved to retire existing bonds and for various purposes; (2) \$11,200,000 5% cumulative prior preference stock; (3) \$12,429,000 5% preferred stock, cumulative after January 1, 1919, and (4) \$45,046,000 common stock. The bonds issued under the plan, including \$6,000,000 (Series A) sold to purchase syndicate, consisted of \$21,976,000 Series A 5%, due July 1, 1956, and \$8,479,000 Series B 4%, due July 1, 1956.

PITTSBURGH & WEST VIRGINIA RY.

See Table, page 117.

This company operates a line of railway extending from near Jewett, Ohio, on the Wheeling & Lake Erie Ry., easterly to Pittsburgh, Pa., where extensive and valuable terminals are owned. The railway was opened for traffic in 1904 as the Wabash-Pittsburgh Terminal Ry., formerly controlled by the Wabash R. R. and formerly in control of the Wheeling & Lake Erie R. R.

In 1923 an interest in the P. & W. Va. Ry. was secured by certain coal interests, reported to have acquired about \$10,000,000 stock, including \$2,500,000 from the Metropolitan Life Insurance Co.

An initial dividend of 6% was declared, payable quarterly beginning April 30, 1926. Quarterly dividends at 6% rate have since been paid. Following statement was contained in the 1927 annual report: "It has been necessary for the company to use a considerable amount of its working capital in the purchase of stock, in order to protect its future position and earnings, and our dividend policy in the immediate future might have to take second place if necessary in favor of whatever additional protection may be required in cash outlay."

A proposal was abandoned in June, 1926, to issue in exchange for \$100 common stock \$50 6% preferred and \$50 common stock. Authority to issue the preferred stock without voting power was refused.

Application was filed with the Interstate Commerce Commission in August, 1927, for authority to purchase a majority of Wheeling & Lake Erie Ry. stock. At the time the company held 8,400 preferred and 56,800 common shares of stock and principal P. & W. V. Ry. stockholders owned 9,050 preferred and 12,550 common shares additional. Jointly, however, Baltimore & Ohio R. R., New York Central R. R., and "Nickel Plate" R. R. owned 115,193 prior lien preferred, 14,800 preferred and 167,925 common shares of W. & L. E. Ry. With dividends in arrears for five consecutive years, the prior lien preferred shares were privileged to elect a majority of W. & L. E. directors.

SEGREGATION OF COAL PROPERTY.

The Pittsburgh & West Virginia Ry. owned all of the stock of the Pittsburgh Terminal Coal Co. carried at a book value of \$7,462,000. This company owns 11,000 acres of coal lands along the line of the West Side Belt R. R. (23 miles), and 4,000 acres of coal lands along the line of the P. & W. V. Ry. The coal lands were estimated in 1924 to contain 68,000,000 tons of coal. Production was 2,500,000 tons annually.

A plan for segregation of the Pittsburgh Terminal Coal Co. was announced September 8, 1924. Effective December 1, 1924, the company was merged with Meadow Lands Coal Co., the new Pitts-

burgh Terminal Coal Corp. issuing \$4,000,000 common stock for the Meadow Lands Co. and \$4,000,000 preferred and \$8,000,000 common stock share for share in exchange for P. T. Coal Co. stocks. Holders of Pittsburgh & West Virginia Ry. common stock received the right to purchase stock of the Coal Corp. in the ratio of 13 shares preferred and 26 shares of common stock for each 100 shares of Railway stock on payment of \$1,300 prior to December 15, 1924.

In 1926, the Pittsburgh & West Virginia Ry. owned \$288,100 common and \$153,400 preferred stock of Pittsburgh Terminal Coal Co. In 1927, it held none of the stock.

The Pittsburgh Terminal Coal Co. \$3,374,700 cumulative 6% preferred stock received dividends regularly since issuance in 1920; and dividends on the common stock were \$280,000 in 1919, \$240,000 in 1921, \$320,000 in 1922, \$480,000 in 1923, and \$220,000 in 1924, none since.

On December 31, 1927, the Pittsburgh Terminal Coal Co. had outstanding \$3,102,000 First Mortgage 5% bonds, due 1942, guaranteed principal and interest by the West Side Belt R. R.

REDEMPTION OF P. & W. V. PREFERRED STOCK.

Following segregation of the coal property, the Pittsburgh & West Virginia Ry. retired the \$9,100,000 outstanding preferred stock at 105 on December 31, 1924. Of the funds for this purpose \$4,000,000 was realized from sale of the Coal Co. stock and \$3,000,000 from sale of equipment trust certificates issued against equipment previously purchased out of earnings. The \$3,000,000 equipment certificates were sold in October, 1924.

WEST SIDE BELT R. R.

The Pittsburgh Terminal Coal Co. formerly controlled the West Side Belt R. R. In 1920 the former's stock holdings were acquired by the Pittsburgh & West Virginia Ry. As of December 31, 1926, the Pittsburgh & West Virginia Ry. owned the entire capital stock (par \$1,080,000), carried at \$68.333; also \$1,064,585 notes and had advanced to West Side Belt R. R. \$4,275,415; the P. & W. Va. Ry. has set up a reserve of \$1,352,943 for interest on these advances. In 1924, the P. & W. Va. Ry. took into income \$352,855 received from the West Side Belt R. R. as 1922 interest on advances. In 1925, \$264,642 was taken into income as interest for the first nine months of 1923 on these advances. In 1926, \$1,097,866 was taken up as interest in full to December 31, 1926. In 1927, \$1,086,544 additional interest on advances was taken up.

As of January 1, 1921, the Pittsburgh & West Virginia took over the West Side Belt R. R. for operation and operating results have been combined. The agreement provided for division of joint net

earnings or deficits on basis of book costs of road and equipment of each company. On this basis West Side Belt R. R. showed Income from Lease of Road \$270,728 in 1927, \$505,439 in 1926, \$397,491 in 1925, \$302,617 in 1924, and \$253,275 in 1923. Agreement for operation on this basis was extended for ten years from January 1, 1926.

To offset the \$1,080,000 capital stock of and \$6,320,000 advances to the West Side Belt R. R. stockholders of the Pittsburgh & West Virginia Ry. on November 15, 1920, authorized the issue of \$4,400,000 preferred and \$3,000,000 common stock. This issue was denied by the Interstate Commerce Commission in 1923, as representing over-capitalization.

In October, 1927, authority was sought for merger of the West Side Belt property, involving cancellation of the stock.

REORGANIZATION IN 1916.

In 1908 receivers were appointed for the former Wabash-Pittsburgh Terminal Ry. Interest was defaulted in December, 1907, on the \$30,236,000 First Mortgage and \$20,000,000 Second Mortgage bonds.

A reorganization plan dated June 25, 1915, was carried out in 1916. The plan called for an assessment of \$300 per \$1,000 First Mortgage bond, for which the bondholder received \$300 in 6% preferred stock, cumulative after January 1, 1921, and \$1,000 in new common stock. The bondholders paying the assessment received also \$28, \$210 and \$390 respectively, in Wheeling & Lake Erie R. R. first and second preferred and common stock.

Such stocks as were not taken up by First Mortgage bondholders (namely—those who failed to pay the assessment) were allotted to Second Mortgage bondholders under like terms and conditions (namely—payment of \$300 per bond).

The assessments payable under the plan provided the new company with the sum of \$9,070,800, which was used: (1) to discharge \$3,110,166 receiver's certificates of the Wabash-Pittsburgh Ry. and the West Side Belt R. R.; (2) to acquire properties, including stocks and bonds of the Pittsburgh Terminal R. R., and discharge of judgments, etc., \$4,293,197; (3) for reorganization expenses, working capital, etc., \$1,667,487.

The present company began operation April 1, 1917.

MISCELLANEOUS.

As of December 31, 1927, the balance sheet showed Current Assets, \$2,011,612 (1926, \$4,744,860) including \$180,809 Material and Supplies, and Current Liabilities, \$2,754,225 (1926, \$1,411,461). Credit balance to Profit and Loss was \$6,357,393 and Appropriated Surplus \$131,834. In 1924, \$3,882,799 was debited to Profit and Loss

including the premium paid in redemption of preferred stock and the difference between book value and realization on the sale of P. T. Coal Co. stock.

Bituminous coal was 59.8% of freight traffic handled in 1927, 76.2% in 1926, 76.1% in 1925, 77.3% in 1924 and 81.4% in 1923.

Coal contributed 46% of total revenue in 1926, 50% in 1925, 62% in 1924, and 72% in 1923.

TOLEDO, PEORIA & WESTERN R. R.

See Table, page 118.

This company was owned and managed by the Pennsylvania Co. and the Chicago, Burlington & Quincy R.R. On December 31, 1925, the Pennsylvania Co. owned \$2,011,200 of the stock, also \$1,248,000 of the defaulted \$4,895,000 First Mortgage 4% bonds, due July 1, 1917. The C., B. & Q. R.R. on *June 30, 1918*, owned \$2,011,200 of the stock and likewise \$1,248,000 of the bonds.

As of July 2, 1917, a receiver was appointed, principal having been defaulted on the First Mortgage 4% bonds. As result of foreclosure proceedings, the property was offered for sale in December, 1925, but no bid was made. In June, 1926, sale was made at public auction for \$1,300,000. The court orders provided that beginning July 1, 1926, the receiver was to operate the property for account of the purchaser until completion of the payment of the purchase price on November 1, 1926 and until a new company was prepared to take over the property purchased. The present company, formed on November 15, 1926, took over the property of the Toledo, Peoria & Western Ry. on April 8, 1927, as of April 1, 1927. The purchaser assigned the results of operations from July 1, 1926, to the present company.

The Interstate Commerce Commission authorized, by its orders in March and June, 1927, the issuance and delivery of \$65,000 common capital stock and \$1,000,000 First Mortgage 6% bonds due 1952 to George P. McNear, Jr., as purchaser, in full payment of the purchase price of the railroad property (other than the property in Peoria previously sold to Peoria & Pekin Union Ry. Co.), acquired at the foreclosure sale on June 11, 1926. As of December 1, 1927, \$5,000 of the stock and all of the bonds had been issued and delivered.

Of 1,697,523 (1926, 1,215,179) tons handled in 1927, 380,521 tons were bituminous coal and 248,442 (1926, 239,934) tons were grain.

As of December 31, 1927, Current Assets were \$433,724 (including \$112,154 Cash and \$130,777 Material and Supplies) and Current Liabilities were \$413,308. Credit balance to the Profit and Loss account was \$31,930.

WABASH RY.

See Table, page 119.

The present company succeeded to Wabash R. R. on November 1, 1915, consequent upon reorganization.

The preferred stock A is entitled to 5% non-cumulative dividends, and to additional dividends at such rate as may be paid in excess of 5% on the common stock, and is redeemable at 110. An initial quarterly dividend was paid on the preferred stock A in January, 1917, at the rate of 4%, which was maintained to April, 1918, inclusive. Dividends on the preferred stock A were resumed at the rate of 5% with a quarterly payment in May, 1925. In addition to preferred stock A and common stock, \$48,728,242 convertible preferred stock B was issued in reorganization, 1915. This stock on August 1, 1918, became convertible into \$50 preferred A and \$50 common stock for each \$100 amount. To December 31, 1927, \$46,266,100 had been converted and \$2,462,142 remained outstanding. In April, 1927, dividends were inaugurated on the preferred stock B with a 5% payment. A like dividend was paid in February, 1928. A protective committee representing 43% of the B stock had petitioned for dividends. In August, 1927, suit was begun in behalf of 900 shares of Class A stock to compel payment of approximately \$16,000,000 Class A dividends. Prior right of the Class A stock was claimed to require payments for past years before dividends on junior stocks.

RELATIONS WITH OTHER COMPANIES.

In 1927, the company bought \$11,565,950 stock or 231,319 shares of Lehigh Valley R. R. at a cost of \$23,232,118 or \$100.43 average per share. During the same year, the Delaware & Hudson Co. bought \$15,226,950 Lehigh Valley R. R. stock or 304,539 shares at \$72.51 average cost, also \$6,650,000 common and \$15,070,000 preferred A stock of Wabash Ry. at average costs of \$70.91 and \$95.77 per share, respectively. In 1927, the Pennsylvania Co. purchased \$19,190,000 common and \$13,170,000 preferred A stock of Wabash Ry. at \$68.25 and \$90.33 average costs. In April, 1928, the Pennsylvania R. R. arranged with the Delaware & Hudson Co. to buy its holdings of Lehigh Valley R. R. and Wabash Ry. stocks for about \$63,000,000. On July 19, 1928, the Pennsylvania Co. held \$18,251,950 Lehigh Valley R. R. stock (cost \$43,551,208) and \$36,290,000 common (cost \$29,958,195) and \$31,290,000 preferred A (cost \$33,083,353) Wabash Ry. stock. This was 30.1% of Lehigh Valley stock and 17.7% of Wabash Ry. stock. In addition Wabash Ry. at the close of 1927 held 19.1% of Lehigh Valley R. R. stock.

REFUNDING AND GENERAL MORTGAGE.

Stockholders in December, 1924, authorized a Refunding and General Mortgage, aggregate principal amount of which, taken

together with all prior obligations, is limited to one and one-half times outstanding capital stock. An issue of \$12,500,000 Series A 5½% bonds due 1975, was sold in February, 1925, \$2,500,000 of which represented reimbursement of the company for previous capital expenditures and \$10,000,000 was to provide for expenditures planned in 1925.

In connection with this bond sale it was stated that from reorganization in 1915 to December 31, 1924, the Wabash Ry. out of income invested \$21,008,667 of which \$10,057,842 was spent in acquisition and construction of additional terminal properties, general improvement of the roadbed, tracks, bridges, shops, roundhouses, stations, buildings, etc., \$1,891,806 was invested in securities of terminal and other affiliated railroad companies, and \$9,059,018 was used in retirement of outstanding interest-bearing obligations. During this period the only securities issued were a certain amount of equipment notes.

In July, 1926, \$15,500,000 Series B 5% Refunding and General Mortgage bonds due 1976 were sold at 93 to bankers for general purposes.

In March, 1928, \$17,867,000 Series C 4½% Refunding and General Mortgage bonds due 1978 were sold at 93 to bankers.

CONTROL OF ANN ARBOR R. R.

In May, 1925, the Wabash Ry. was reported to have acquired from bankers a block of the stock of Ann Arbor R. R. at a cost of \$62.50 a share for preferred and \$35 a share for common stock. In July, 1925, the Wabash Ry. applied to the Interstate Commerce Commission for authority to acquire 8,400 shares of preferred and 6,935 shares of common stock of Ann Arbor R. R. in addition to 10,929 shares of preferred and 13,352 shares of common stock then held. The Wabash Ry. offered to purchase additional preferred stock at 70 and common stock at 45 until April 1, 1926. During 1926 \$2,094,000 stock was purchased for \$1,245,575, and during 1927 \$80,000 additional at \$48,900 cost. At December 31, 1927, holdings were \$7,027,100 preferred and common stock which cost \$4,004,198 and were 96.93% of total.

HISTORICAL.

The preferred stock of the former Wabash R. R. was entitled to dividends of 7% per annum. No dividends were ever paid. Interest having been defaulted January 1, 1912, on the First Refunding and Extension 4% bonds, receivers were appointed for the company. The Wabash R. R. had at the time of receivership a floating debt of \$1,800,000.

As of June 30, 1915, \$15,950,000 6% receivers' certificates due August 1, 1915, were outstanding. These receivers' certificates

and \$1,545,000 equipment notes were provided for in the reorganization plan.

A plan of reorganization for the Wabash R. R. was prepared under date of April 28, 1915, and a new company known as the Wabash Ry. was formed.

The nominal capitalization of the new company was \$205,118,000 compared with \$222,319,377 of the former Wabash R. R.

The common and preferred stocks were assessed \$30 per share and the First Refunding and Extension Mortgage bonds were assessed \$630 (net) per \$1,000, receiving new stock.

Undisturbed obligations amounted to \$65,118,000.

On June 30, 1915, the Missouri Pacific Ry. and the St. Louis, Iron Mountain & Southern Ry. owned \$9,826,200 preferred stock (as against \$11,326,200 on June 30, 1909), \$2,826,200 common stock and \$2,913,200 First and Refunding bonds of the Wabash R. R. (against \$3,963,200 owned on June 30, 1908). These companies sold bondholdings during 1915-16 and did not pay assessment on the stock.

In 1903-4 the Wabash R. R. acquired all the stock of the Wabash-Pittsburgh Terminal Ry. (\$10,000,000); also \$6,600,000 First Mortgage bonds of that company. The Wabash-Pittsburgh Terminal Ry. controlled the Wheeling & Lake Erie R. R. In 1908 receivers were appointed for the Wabash-Pittsburgh Terminal Ry. and for the Wheeling & Lake Erie R. R. Both companies were reorganized as independent properties, the first-named as Pittsburgh & West Virginia Ry.

GENERAL.

The Wabash Ry. enters Chicago over the Chicago & Western Indiana R. R., of whose stock one-fifth, or \$1,000,000, is owned. From Delray, west of Detroit, into Buffalo the Wabash Ry. operates over the tracks of other companies, chiefly Canadian National Ry. Agreement for use of Grand Trunk Ry. (Canadian National Ry.) tracks, Windsor to Black Rock, runs to 1940 at rental of \$275,000 annually plus expenses. Net payment for joint facility rentals in 1927 was \$1,395,391 and for lease of road \$343,230.

Rail in main track at December 31, 1927, included:

249 miles of 110-pound rail,						40 miles of 70-pound rail,					
3	"	"	100-	"	"	3	"	"	65-	"	"
1,176	"	"	90-	"	"	109	"	"	63-	"	"
56	"	"	85-	"	"	49	"	"	60-	"	"
666	"	"	80-	"	"	45	"	"	59-	"	"
50	"	"	75-	"	"	23	"	"	52-	"	"

At the close of 1927 there were 593 miles of track protected by automatic block signals.

The following indicates maintenance work in recent years:

	*1927	*1926	1925	1924	1923	1922	1921
Miles 110-lb. Rail Laid.....	136	118	182	111	128	85	76
Miles 90-lb. Rail Laid.....	1	17	182	111	128	85	76
Miles Track Reballasted...	152	282	146	323	411	165	178
Miles Ditching	180	220	215	135	231	211	47
Miles Fences Built, Rebuilt or Repaired	260	263	352	209	306	228	174
Miles Siding and Spurs Built	19	31	48	11	6	9	6

**Also 14 and 20 miles of track were ballasted and 12 and 9 miles of second track constructed in 1927 and 1926 respectively.*

As of December 31, 1927, Current Assets (including \$4,805,118 Material and Supplies) were \$14,815,615. Current Liabilities amounted to \$11,358,930. Credit to Profit and Loss was \$39,537,450 and Appropriated Surplus \$839,276.

WHEELING & LAKE ERIE RY.

See Table, page 120.

An initial dividend of 7% on the \$11,882,600 7% cumulative prior lien preferred stock was paid in November, 1928, for the year ended October 31, 1917. This stock is convertible at par into common stock, is redeemable at 115, and while the dividends for five consecutive years are in arrears is entitled to elect a majority of directors. The present company assumed operation of the property on January 1, 1917.

The preferred stock is entitled to non-cumulative 6% dividends, is convertible dollar for dollar into common stock, and is redeemable at 105.

CONTROL ACQUIRED.

On February, 1927, the purchase of about 50% of Wheeling & Lake Erie stocks jointly by Baltimore & Ohio, New York Central, and Nickel Plate was announced. The Rockefeller holdings at December 31, 1926, were 113,961 shares of prior lien preferred stock. In June, 1927, the following ownership was reported:

Shares:	Prior Lien	Pfd.	Common
Baltimore & Ohio.....	38,397	4,934	56,000
N. Y. Central.....	38,398	4,933	56,000
Nickel Plate	38,398	4,933	56,000
Totals	115,193	14,800	168,000

This represented 96.9% of prior lien preferred and 53.3% of total stock. At the same time the Pittsburgh & West Virginia Ry. was reported to own 8,400 preferred and 56,800 common

shares or 11.7% of total and principal stockholders of the P. & W. Va. were reported to own 9,050 preferred and 12,550 common shares.

DETAIL OF REORGANIZATION.

Receiver was appointed in June, 1908, for the Wheeling & Lake Erie R. R. A syndicate purchased \$8,000,000 5% notes defaulted at maturity 1908, which were secured by \$12,000,000 General Mortgage 4s. Likewise \$1,298,000 5% equipment bonds were defaulted, interest and sinking fund.

Under date of September 20, 1916, a plan of reorganization was announced. The amount of cash required under the plan was \$9,984,708 which was raised by assessment. \$4,805,000 bonds remained undisturbed and \$11,697,000 Consolidated Mortgage 4s had the privilege of exchange for new Refunding Mortgage 4½% bonds due 1966. \$4,827,000 Refunding bonds were issued in exchange.

Holders of stocks participated in the reorganization under the following terms:

	Paid	Received:	
		Preferred	Common
First preferred stock (4%)	\$27	\$27	\$100
Second preferred stock (4%)	27	27	90
Common stock	27	27	87.50

Holders of \$8,000,000 notes due 1908 received dollar for dollar for unpaid principal and interest \$11,882,600 new prior lien stock 7% cumulative, redeemable at 115, and convertible into common stock.

HISTORY.

Prior to the receivership a controlling interest consisting of \$847,500 first preferred, \$6,423,800 second preferred and \$11,870,000 common was owned by the Wabash-Pittsburgh Terminal Ry. The above Wheeling & Lake Erie R. R. stock was distributed to Wabash-Pittsburgh Terminal Ry. bondholders in reorganization of that company.

GENERAL.

As of December 31, 1927, Current Assets were \$3,172,195 (including \$1,280,923 Material and Supplies) and Current Liabilities \$1,748,753. Credit to Profit and Loss was \$15,011,261; there was also \$1,577,039 Appropriated Surplus.

To retire \$2,000,000 Lake Erie Division 5% bonds at maturity October 1, 1926, the company sold an equal amount of Refunding Mortgage 5% bonds under competitive bidding.

Bituminous coal formed 23.9% (32.5% in 1926, 34.4% in 1925, 35.4% in 1924, 44.1% in 1923, and 44.3% in 1922) of total tonnage carried in 1927, and iron ore 13.8% (10.9% in 1926, 10.2% in 1925, 10.6% in 1924, 11.1% in 1923).

Density of traffic on this road exceeds 3,000,000 ton-miles per mile operated in a normal year.

ATLANTA & WEST POINT R. R.

See Table, page 121.

Dividends have been paid regularly since 1855 (never less than 4%) except that in 1866 no dividends were paid. From 1884 to 1923 the regular rate was 6%, payable June and December. In 1924 7% and in 1925 8% was paid. In February, 1926, an extra dividend of 20% was paid, and also semi-annual 4% dividends in June and December, 1926 and 1927. Stockholders in 1910 subscribed to new stock at par to the extent of 100% of their respective holdings, the proceeds being used to retire \$1,232,200 debenture certificates.

The stock is held as follows: \$188,500 by the Central of Georgia Ry., \$153,200 by the Louisville & Nashville R. R., \$158,600 by the Atlantic Coast Line R. R., and \$936,100 by the two latter companies, as lessees of Georgia R. R. and Banking Co. until 1980.

Jointly and severally with Central of Georgia Ry. and Southern Railway, this company guarantees \$1,200,000 Atlantic Terminal First Mortgage bonds due 1939.

This road and Western Ry. of Alabama are operated by the same management.

In 1927, cotton and cotton products formed 6% and lumber 12% of total freight tonnage.

Main and second track December 31, 1927, contained 34 miles of 100-pound rail, 56 miles of 90-pound rail, and 15 miles of 80-pound rail.

A tentative valuation of \$6,053,000 for owned and used property as of June 30, 1918, has been served on the company.

Current Assets on December 31, 1927, were \$484,995 (including \$385,439 Material and Supplies) and Current Liabilities \$37,694. Credit to Profit and Loss was \$2,663,953 and Appropriated Surplus, \$467,467.

ATLANTA, BIRMINGHAM & COAST R. R.

See Table, page 122.

The Atlanta, Birmingham & Atlantic R. R. was organized in 1905, to build extensions of the Atlantic & Birmingham Ry. from Montezuma, Ga., to Birmingham, Ala., and to Atlanta, Ga., with branch to Mulga, Ala., where are located prominent coal and iron mines and properties controlled by the company. The line to Atlanta, Ga., was completed in 1910.

Receiver for this company was appointed on February 25, 1921.

Interest on the \$4,090,000 Atlantic and Birmingham Ry. First 5s was defaulted July 1, 1921. Interest on the non-cumulative Income bonds (5%) was regularly paid to December 31, 1919; none since.

SALE TO ATLANTIC COAST LINE R. R.

Pursuant to an agreement between bondholders' protective committees and Atlantic Coast Line R. R., a plan for reorganization was issued under date of February 23, 1926. The property was purchased at foreclosure sale by the new company and operations were begun January 1, 1927. Cash requirements of \$3,677,500 were provided and about \$4,000,000 of notes, debts and obligations were assumed by Atlantic Coast Line R. R. in exchange for the entire 150,000 no par value shares of common stock of the new company, having sole voting power. At the close of 1927, the stock was carried by A. C. L. R. R. at \$3,553,095 book value, to be increased to more than \$4,000,000 by further payments to be made under the reorganization agreement. Bonds of the old company, \$4,090,000 First Mortgage 5s and \$4,543,907 Income 5s outstanding, carrying \$2,086,605 interest due to April 30, 1926, received 60% of par value in 5% cumulative preferred stock, guaranteed by Atlantic Coast Line R. R. as to dividends and to 103 in liquidation. Dividends accrue from January 1, 1928. A total of \$5,180,300 preferred stock was issuable. No provision was made in the plan for participation by stockholders of the old company.

The property is being separately operated under its own organization.

FINAL VALUATION.

One of the first final "single sum" valuations announced by the Interstate Commerce Commission was served on this company in September, 1923. Property used in transportation service was valued at \$23,245,257 including leased lines, and wholly-owned property \$20,487,360. These final values are to be used as basis for rate-making. The A. B. & A. claimed a 1914 value of not less than \$36,000,000 and estimated to reproduce the property would cost \$72,000,000.

REORGANIZATION IN 1915.

In January, 1909, receivers were appointed for the Atlanta, Birmingham & Atlantic R. R. Reorganization was effected in December, 1915, as the Atlanta, Birmingham & Atlantic Ry.

Under date of December 15, 1915, a plan of reorganization was announced for the latter. \$4,090,000 Atlantic & Birmingham Ry. 5% bonds remained undisturbed. Holders of the \$4,476,000 receiver's certificates which matured July 1, 1914, but which were not paid off, received par for principal and interest July 1, 1914, to November 1, 1915, in 5% Income bonds, due November 1, 1930 (\$5,200,000 authorized). The A. B. & A. R. R. bondholders and stockholders did not participate in the reorganization. \$30,000,000 stock was sold to a syndicate for \$3,600,000 (\$12 per share). The receiver's certificate holders were allowed to participate in the underwriting of this stock.

MISCELLANEOUS.

The mileage of the A., B. & A. Ry. was 637 miles at December 31, 1926, compared with 324 miles in operation June 30, 1906; mileage of the A., B. & C. R. R. at December 31, 1927 was 640 miles. The system, as completed, has its eastern terminus at Brunswick, Ga., where a belt railroad, extensive docks, water fronts, warehouses and other terminal properties are owned. At Sessoms (81 miles from Brunswick), the main line connects with a branch to Waycross, Ga. (26 miles). At Fitzgerald, Ga., there is a branch to Thomasville, Ga. (80 miles). The Atlanta Division (76 miles) connects with the main line at Manchester, Ga.

In 1924 plans for an extension to Jacksonville, Florida, were definitely abandoned. The value of terminal properties at Waycross and Jacksonville, \$301,219, was transferred to account "Miscellaneous Property."

On December 31, 1927, Current Assets were \$1,406,478, including \$785,075 Materials and Supplies, and Current Liabilities were \$709,147. Debit balance to Profit and Loss was \$11,639.

ATLANTIC COAST LINE R. R.

See Table, page 123.

In 1904-5 the common stock received 5%. In January, 1905, an extra dividend of 25% was paid on the common, of which 20% was in common stock scrip of the Railroad Co. and 5% in the 4% certificates of indebtedness of the Atlantic Coast Line Co. of Connecticut. Late in 1905 the dividend on the common was raised to 6% per annum. The January, 1908, dividend on the common stock was paid in 4% certificates of indebtedness. The July, 1908, and the January, 1909, dividends were paid in cash at the rate of 5%. In July 1909, the rate was again raised to 6%, which was maintained until January, 1912, when the stock was placed on a 7% basis. In January, 1915, the dividend was decreased to 5%. In January, 1917, the dividend rate was again increased to 7%, which has been continued since, semi-annually, January and July. Extra dividends have been paid as follows: 1% in July, 1924, July, 1925, and January, 1926, and 1½% in July, 1926, and January and July, 1927 and 1928. It was stated that the extra dividends were paid from non-operating income. In August, 1926, the Louisville & Nashville R. R. paid an extra ½% dividend and with the February, 1927, semi-annual payment increased the regular rate to 7% annually. The extra dividend of Atlantic Coast Line R. R. in July, 1927, was paid on the common stock as increased by 20% subscription.

In January, 1914, the directors of Atlantic Coast Line Co. of Conn., which at that time controlled the Atlantic Coast Line R. R., recommended that its \$17,640,000 stock be reduced one-half concur-

rent with the distribution to stockholders of \$17,640,000 stock of the Atlantic Coast Line R. R. Each holder of \$100 stock of the holding company therefore received for his stock \$100 in Atlantic Coast Line R. R. stock and \$50 in Atlantic Coast Line Co. of Conn. stock. At June 30, 1927, the Atlantic Coast Line Co. of Conn. held \$22,308,800 common stock (including \$367,700 class A stock) of the Railroad Co., and other securities.

CHANGES IN CAPITAL STOCK.

New stock has been issued as follows:

1901-2 (sold at par)	\$7,259,800
December, 1902 (to stockholders at \$125).....	8,500,000
January, 1905 (stock dividend).....	7,330,000
March, 1906 (to stockholders at par).....	4,557,600
1909-10 to 1915-16 (exchanged at 135 for convertibles)*	13,769,900
December, 1912 (to stockholders at par)†.....	6,250,500
January, 1927 (to stockholders at par).....	13,756,500

*See a following paragraph.

†The proceeds were largely used by the company to subscribe to new capital stock of the Louisville & Nashville R. R. (see that company).

Stockholders in December, 1926, authorized an increase of \$24,000,000 to \$100,000,000 in capital stock. The company offered \$13,756,500 common stock for subscription at 100 to extent of 20% of holdings. Prior to expiration of the privilege, January 20, 1927, \$13,747,000 stock was subscribed. The remaining \$9,500 was sold in the market. Proceeds were applied against the cost of acquiring the common stock of the reorganized Atlanta, Birmingham & Coast R. R., of extending the lines of the Tampa Southern R. R. and the Fort Myers Southern R. R., and for part cost of a new short line, connecting Tampa and points on the west coast of Florida via Perry with Thomasville and Albany, Ga., and Montgomery, Ala., about 55 miles of new construction completed in 1927.

In 1902 the preferred stockholders were given the option of exchanging their shares at the rate of \$100 in preferred stock for \$125 in 4% certificates of indebtedness. With \$18,653,100 preferred so exchanged for approximately \$23,315,000 certificates of indebtedness, only \$196,700 preferred stock remains outstanding. During 1909-10 practically all the certificates of indebtedness were exchanged for convertible debenture bonds. See a later paragraph.

HISTORY.

The Savannah, Florida & Western Ry., which owned and controlled 2,234 miles, was merged with the Atlantic Coast Line R. R. July 1, 1902. At the same time possession was taken of the St,

John & Lake Eustis R. R., of the Sanford & Lake Eustis R. R., and of the Florida Midland R. R. Also the properties of the Florida Southern R. R. and the Sanford & St. Petersburg R. R. were conveyed to the Atlantic Coast Line R. R. To pay indebtedness to Atlantic Coast Line Co. of Conn., to carry out the purchase of these lines, and to retire \$12,451,000 4% bonds of the Savannah, Florida & Western Ry. and \$5,880,000 certificates of indebtedness, there were issued \$32,344,000 First Consolidated Mortgage 50-year 4% bonds dated July 1, 1902. Of the total authorized \$51,326,000 First Consolidated bonds \$50,863,000 were in the hands of the public on December 31, 1927, \$75,000 were pledged under the Georgia R. R. lease, and \$388,000 were free in the treasury.

LEASE OF CAROLINA, CLINCHFIELD & OHIO RY.

Atlantic Coast Line R. R. and Louisville and Nashville R. R. jointly leased Carolina, Clinchfield & Ohio Ry. under indenture dated October 16, 1924. A separate organization is maintained. For detail regarding the lease see under Carolina, Clinchfield & Ohio Ry. As compared with \$750,000 dividends paid on the stock under rental prior to 1928 when the payment was increased to \$1,000,000, this company earned \$1,316,882 in 1924, \$2,044,285 in 1925, \$2,122,980 in 1926, and \$1,742,448 in 1927. No part of surplus earnings was withdrawn by the joint lessees in 1925. The amount of \$1,500,000 was reported "Transferred to Other Companies" by the Clinchfield in 1926, but reports of the lessees did not show it as income. The report of each joint lessee for 1927 showed \$750,000 from "Separately Operated Properties—Profit." No such deduction was made by the Clinchfield from 1927 earnings.

CONTROL OF A., B. & C. R., R.

By agreement reached in 1926 with bondholders of the Atlanta, Birmingham & Atlantic Ry. which had been in receivership from 1921, the Atlantic Coast Line R. R. in January, 1927, following approval by the Interstate Commerce Commission, contracted to pay about \$4,000,000 cash for reorganization of the company as Atlanta, Birmingham & Coast R. R., guaranteed 5% dividends to accrue from January 1, 1928, and 103 in liquidation, on \$5,180,300 preferred stock, and received the entire 150,000 no par value shares of common stock. At the close of 1927, \$3,553,095 had been paid by Atlantic Coast Line R. R., and it was expected that further payments would increase the ultimate cost over \$4,000,000. The 637 miles of this property, Brunswick, Ga., to Birmingham, Ala., connect at several points with the Atlantic Coast Line System. It is being operated separately.

SECURITIES OWNED.

On December 31, 1927, there were held in the treasury unpledged \$74,993,244 of the company's own bonds: \$74,605,244

General Unified Series A 4½s and \$388,000 First Consolidated 4s.

In 1902, the Atlantic Coast Line R. R. acquired \$30,600,000 of the \$60,000,000 capital stock of the Louisville & Nashville R. R., giving in payment therefor \$10,000,000 in cash and \$35,000,000 in 4% 50-year collateral trust bonds. In 1912-13, \$6,120,000 additional Louisville & Nashville R. R. stock was subscribed, making \$36,720,000 stock owned, of a total of \$72,000,000. As a result of 62½% stock dividend, Atlantic Coast Line received \$22,950,000 additional stock in May, 1923, and now holds \$59,670,000, carried at a book value of \$51,368,221. All of this stock is pledged under the \$35,000,000 bonds.

Altogether the Atlantic Coast Line R. R. at the close of 1927 held half or greater interest in 9,407 miles of railroad, also in 360 miles of the Peninsular & Occidental Steamship Co., in addition to the 5,120 miles itself operated.

The following tables show the holdings of securities by the Atlantic Coast Line Co. of Conn., Atlantic Coast Line R. R. and the Louisville & Nashville R. R.:

I.

ATLANTIC COAST LINE CO. OF CONN.

June 30, 1927.

	Total Outstanding	Owned by A. C. L. Co.
Atlantic Coast Line R. R. common.....	\$81,342,700	*\$21,941,100
Atlantic Coast Line R. R. Class "A" ...	1,000,000	367,700
Atlantic Coast Line R. R. bonds	157,678,630	5,952,000
Charleston & Western Carolina Ry. stock	1,200,000	1,200,000
Charleston & Western Carolina Ry. 1st Cons. bonds	2,380,000	†791,000
Nashville, Chat. & St. Louis Ry. stock (see below)	16,000,000	48,000

*Prior to March 10, 1914, the Atlantic Coast Line Co. of Conn. held \$36,072,800 (a majority) Atlantic Coast Line R. R. stock. On the date mentioned about one-half of this stock was distributed pro rata among the former company's stockholders. In January, 1927, \$3,718,200 was purchased under a 20% offering for subscription.

†Central of Georgia Ry. owns balance of this issue, \$1,589,000.

NOTE:—Other securities were held including \$1,567,500 First Mortgage 5% bonds of International Agricultural Corp., also bonds and stocks of railroad lines in the Atlantic Coast Line R. R. System.

As of December 15, 1927, the company offered \$2,940,000 new stock at \$50 par to stockholders to fund the additional Atlantic Coast Line R. R. stock subscribed.

II.

ATLANTIC COAST LINE R. R.

December 31, 1927.

	Total Outstanding	Owned by A.C.L.R.R.
Louisville & Nashville R. R. stock.....	\$117,000,000	\$59,670,000
Richmond-Washington Co. stock.....(a)	2,670,000	445,000
Atlanta & West Point R. R. stock.....(b)	2,462,600	158,600
Columbia, Newberry & Laurens Ry. stk.(c)	500,000	364,475
Atlanta, Birm. & Coast R. R. stock....(d)	150,000 shs	150,000 shs
Winston-Salem Southbound Ry. ....(e)	\$1,250,000	\$622,100
Atlantic Land & Improvement Co. stock..	3,000,000	3,000,000
Atlantic Ld. & Imp. ctfs. of indebt. 4%..	.....	666,000
Chesapeake Steamship Co. stock.....(f)	600,000	200,000
Peninsula & Occidental S. S. Co. stk .(g)	.....	750,000

NOTE:—Jointly with the Louisville & Nashville R. R., this company leases the Georgia R. R. (329 miles).

(a) Owned jointly by six companies—see Richmond, Fredericksburg & Potomac R. R. (b) The Central of Georgia Ry. holds \$188,500 stock and the Louisville & Nashville R. R. \$153,200 stock. The Atlantic Coast Line R. R. and Louisville & Nashville R. R. as lessees of the Georgia R. R. & Banking Co. also hold \$1,500,000 Western Ry. of Alabama stock and \$936,100 Atlanta & West Point R. R. stock. (c) The Seaboard Air Line Ry. owns \$83,375 of the stock. A. C. L. R. R. acquired \$139,075 of this stock at cost of \$98,654 in 1926 and \$1,250 in 1927, giving it control of the road, which extending 75 miles connects A. C. L. R. R. with Charleston & Western Carolina Ry., which connects with the Clinchfield R. R. at Spartanburg, S. C. (d) Book value, \$3,553,095, to be increased to more than \$4,000,000 by payments on account of reorganization. (e) The Norfolk & Western Ry. owns equal amount. The two companies in control jointly guarantee \$5,000,000 4% bonds of the W. S. S. B. Ry. (f) Book value, \$74,200. Southern Ry. owns remaining \$400,000 stock—operates steamship lines Baltimore to Norfolk and Richmond. (g) Operates steamships Tampa, Fla., to Key West and Havana. Book value of stockholding, \$1,000.

In place of control by entire stock ownership, a lease of the Washington & Vandemere R. R., 40 miles in North Carolina, was made as of May 1, 1927, for 70 years.

Exclusive of the Louisville & Nashville stock, total par value of stocks owned December 31, 1927, was \$8,932,888, and they were carried at \$10,683,686 on the balance sheet. In addition to \$75,568,244 of its own bonds, of which \$575,000 were pledged, the Atlantic Coast Line R. R. also owned \$10,230,500 bonds of book value of \$9,967,431, including \$4,500,000 Liberty bonds carried at

par. Pledged bonds amounted to \$590,000, including \$575,000 of the company's bonds deposited in connection with lease of Georgia R. R. The Atlantic Coast Line R. R. received \$4,636,986 in 1927 (\$4,866,998 in 1926) from dividends and \$584,669 (1926, \$537,734) interest on funded securities.

III.

LOUISVILLE & NASHVILLE R. R.

Majority stock owned by A. C. L. R. R.

December 31, 1927.

	Total Outstanding	Owned by L. & N. R. R.
Atlanta & West Point R. R. (see above).	\$2,462,600	\$153,200
Chic., Ind. & Louisville R. R. pfd.	5,000,000	*1,936,700
Chic., Ind. & Louisville R. R. com.	10,500,000	*4,903,450
Louisville, Hend. & St. Louis Ry. pfd....	2,000,000	1,705,109
Louisville, Hend. & St. Louis Ry. com. ..	2,000,000	1,909,073
Nashville, Chattanooga & St. Louis Ry...	16,000,000	11,484,100

**Southern Ry. owns equal amount.*

BONDS.

The stockholders in 1909 authorized (1) \$200,000,000 4% Unified Mortgage bonds; (2) \$23,562,500 4% 6-30-year convertible debenture bonds in order to provide an alternative method of retiring certificates of indebtedness, and (3) an increase in the common stock to an amount sufficient to retire the debenture bonds. The proceeds of the mortgage bonds were to be used for refunding purposes, for double tracking and for new construction; sufficient bonds were reserved, however, to retire an equal amount of 4% certificates of indebtedness under the company's offer of exchange. Practically all of the certificates of indebtedness were exchanged for debentures.

To June 30, 1913, \$25,239,584 4% Unified bonds had been issued, of which only \$9,667,000 bonds had been sold. As the bonds under the Unified Mortgage could not be issued to bear interest at a higher rate than 4%, the company closed the issue and authorized in its place a new General Unified Mortgage for \$200,000,000, issuable as follows: (1) to refund Unified bonds, \$30,847,484; (2) reserved to retire certificates of indebtedness, preferred stock and underlying bonds, \$84,713,766; (3) reserved for future construction, additions, betterments, etc., \$84,438,750. The bonds mature 1964. All of the Unified 4% bonds were exchanged for General Unified bonds, \$106,284,244 of which had been issued to December 31, 1927 (including \$74,605,244 Series A 4½s in treasury unpledged), and in May, 1920, the Unified Mortgage was released.

The convertible debenture bonds were offered dollar for dollar, in exchange for the certificates of indebtedness; this offer was an alternative proposition to the one mentioned above to exchange for Unified bonds. During 1909-10, \$23,072,300 of the convertible debenture bonds were issued in exchange for certificates and \$2,338,300 were sold at 98 and interest. The convertible bonds mature 1939 and were convertible into common stock at 135 before January 15, 1920; \$18,627,490 were converted, leaving \$4,444,830 outstanding.

For general purposes there were sold in 1920 \$6,000,000 7% notes, due 1930, secured by \$10,000,000 Series "A" 4½% General Unified Mortgage bonds.

To redeem the 7% notes at 103 in May, 1927, and to pay at maturity \$2,809,000 various bonds there were sold in April, 1927, at 96 to bankers \$8,809,000 General Unified Series A 4½% bonds.

GENERAL.

In December, 1926, a tentative valuation was served upon the company by the Government of \$152,765,705 for owned and used carrier property and \$4,110,683 for non-carrier physical property as of June 30, 1917. Adding approximately \$85,000,000 book value of securities owned including the Louisville & Nashville stock and about \$82,000,000 increase of assets since date of valuation, there was a total of \$323,876,388 as of November 1, 1926, applicable to \$226,461,530 outstanding bonds and stock. In fixing its valuation the Government employed 1914 unit prices except for land and applied depreciation. In stating subsequent additions to the property the company did not allow depreciation.

In 1925, the Atlantic Coast Line R. R. completed double-tracking of the main line, Richmond, Va., to Jacksonville, Fla., with exception of four river crossings and mileage between Jesup and Folkston, Ga., 54 miles, in connection with which an alternate line via Waycross is operated.

The construction of 73 miles of first main track and 12 miles of second track was completed in 1927 and 62 miles of first and 75 miles of second in 1926.

Automatic block signals were in operation December 31, 1927, on 596 miles of double and 110 miles of single track.

Automatic train control was in operation on 291 miles of road from Richmond, Va., to Florence, S. C., at the close of 1927.

Owned first main track on December 31, 1927, contained:

1,034 miles of 100-pound rail,	311 miles of 60-pound rail,
2,203 " " 85- " "	453 " " 56- " "
90 " " 75-80 " "	137 " " 50- " "
791 " " 70- " "	28 " " 40- " "

Second track contained 331 miles of 100-pound rail, 350 miles of 85-pound rail, and 2 miles of 70-pound rail.

At the close of 1927, of 33,956 freight cars owned or leased, 91.43% had steel underframes or were of all steel construction, and of 1,042 locomotives, 12.96% were equipped for automatic train control.

New industries, such as factories, mills, etc., have been located on the lines of the Atlantic Coast Line R. R. to a total number as follows: 1912-13, 189; 1913-14, 207; 1914-15, 315; 1915-16, 266; 1916-17, 230; 1921, 289; 1922, 474; 1923, 415; 1924, 366; 1925, 449; 1926, 486; 1927, 436.

In 1927 products of forests contributed 23% (1926, 22%; 1925, 26%; 1924, 30%; 1923, 31%; 1922, 32%) and agricultural products 11% (1926, 11%; 1925, 12%; 1924, 12%; 1923, 12%; 1922, 14%) of total tonnage.

The balance sheet December 31, 1927, showed Current Assets \$34,760,088 (including \$8,111,051 Material and Supplies, but not including \$4,500,000 Liberty bonds held among Investments) and Current Liabilities \$12,386,775. Profit and Loss balance was \$92,726,679 and Additions to Property through Income and Surplus \$3,517,740, Total Surplus \$96,244,419.

CENTRAL OF GEORGIA RY.

See Table, page 124.

In 1912-13, and in each year including 1923, dividends of 5% were paid on the common stock. On the \$20,000,000 common stock now outstanding dividends are being paid at the rate of 6%.

This company formerly had outstanding \$15,000,000 6% cumulative preferred stock (issued in 1911-12 to provide funds to retire Income bonds—see following). Dividends were regularly paid on this stock from its sale in July, 1912. In December, 1923, the \$15,000,000 preferred stock was surrendered and cancelled in exchange for the same amount of common stock simultaneously issued.

CONTROLLED BY ILLINOIS CENTRAL.

The entire \$20,000,000 stock issue (now all common) is owned by the Illinois Central R. R. The former \$15,000,000 preferred stock was purchased by the Illinois Central R. R. at par, the cash being used to pay off Income bonds. The former \$5,000,000 common stock was purchased in June, 1909, from the late E. H. Harriman for \$3,474,279.

The Income bonds are entitled to non-cumulative interest of 5% per annum, the First Incomes in priority to the Second Incomes, and the Second Incomes in priority to the Third Incomes. Interest has been regularly paid on the First Incomes since 1901, although not always at the full rate. The Second Incomes received 2% in 1904; 5% in 1905, 1906 and 1907; 2.821% in 1908; and 5% annually from 1911. The Third Incomes have received 5% yearly

from 1905 to 1907; 1.458% in 1911, and 5% annually thereafter.

Following protracted litigation in various suits to collect additional interest instituted in behalf of the Income bondholders, an offer was made for the Illinois Central R. R. in 1911-12 to acquire the Income bonds, as follows: For each First Income bond, \$950 for principal and \$63.76 for interest. For each Second Income bond, \$925 for principal and \$121.79 for interest. For each Third Income bond, \$900 for principal and \$195.42 for interest. Under the terms of this offer the Illinois Central R. R. acquired all excepting \$299,300 of the \$4,000,000 First, \$7,000,000 Second, and \$4,000,000 Third Income bonds. Cost to Illinois Central R. R. was slightly over \$15,000,000. On December 31, 1927, there were outstanding \$135,000 First Incomes, \$94,750 Second Incomes and \$45,600 Third Income bonds.

SECURITIES OWNED.

The Central of Georgia Ry. owns a majority of the stocks of the Wrightsville & Tennille R.R., including as of December 31, 1927, the entire \$70,000 preferred and \$278,575 of the common stock. Also this road owns all the \$1,999,000 stock, also \$500,000 certificates of indebtedness of the Ocean Steamship Co. of Savannah; practically all of the stock (\$598,900) and bonds (\$800,000) of the Wadley Southern Ry.; also \$1,500,000 or one-half of the stock of the Western Ry. of Alabama, \$188,500 of the stocks of the Atlanta & West Point R. R., and \$1,589,000 First Consolidated bonds of the Charleston & Western Carolina Ry.

In June, 1923, \$1,000,000 First Mortgage 5% bonds, due 1943, were sold by the Ocean Steamship Co., guaranteed and endorsed by the Central of Georgia Ry. The issue refunded a like amount of 20-year bonds maturing. It was stated that the company operated eight steamships in coastwise service and was constructing two additional; that net earnings for ten years had averaged over \$900,000.

GENERAL.

In 1912, a General and Refunding Mortgage was executed for \$80,000,000 bonds bearing not over 5% interest. Partly owing to the low limitation of interest this mortgage proved unsatisfactory and was cancelled April 1, 1919. Simultaneously a Refunding and General Mortgage was created, with present authorized issue of \$60,000,000 and no limitation as to rate of interest. In February, 1924, \$5,000,000 Series B 5½% Refunding and General Mortgage bonds, due 1959, were sold for capital purposes. In March, 1926, \$3,000,000 Series C 5% Refunding and General Mortgage bonds were sold.

In June, 1919, \$8,000,000 ten-year 6% bonds, secured by \$11,000,000 Refunding and General Series A 6% bonds, were sold.

During 1921, the Interstate Commerce Commission announced a tentative final valuation of \$79,083,523 as of June 30, 1915, for the Central of Georgia system (total used property). Investment in

road and equipment on the company's books at that date was \$69,060,724 and capitalization \$26,649,900 stock and \$37,295,350 bonds. Protest was filed by the company.

Of total tonnage of freight, 15.0% was lumber in 1927 (13.3% in 1926) and 15.8% (16.0% in 1926) was bituminous coal.

The reconstruction of grades and curves on 123 miles of road between Columbus, Ga., and Birmingham, Ala., was begun in May, 1924, and completed in September, 1926. There were newly located 56 miles of the main line and raised or lowered 27 miles. Maximum gradient eastbound was reduced from 1.25% to 0.50% and distance was reduced 4.8 miles. Also there were eliminated 89 curves totaling 3,538 degrees, 1,044 feet of rise and fall, 42 grade crossings, and 3,300 feet of trestle.

On December 31, 1927, Current Assets were \$3,703,245 (including \$2,040,654 Material and Supplies), and Current Liabilities \$2,659,725 (including \$65,961 notes payable for equipment). Credit balance to Profit and Loss was \$11,690,055; Surplus also included credits through income and surplus during June 30, 1907, of \$3,924,037 for additions to property and \$229,213 for funded debt retired; Total Corporate Surplus, \$15,843,305.

CHARLESTON & WESTERN CAROLINA RY.

See Table, page 125.

A dividend of 5% was paid on this company's capital stock in 1917. In each year since (except 1921) 6% dividends have been paid.

The entire stock and \$791,000 First Consolidated Mortgage bonds are owned by the Atlantic Coast Line Co. (of Connecticut). The remaining \$1,589,000 First Consolidated Mortgage bonds are owned by the Central of Georgia Ry.

Formerly the Charleston & Western Carolina Ry. had outstanding \$2,380,000 5% non-cumulative Income bonds. On this issue 2% was paid in 1904, 3% in 1905, 5% in 1906, 5% in 1910 and 5% in 1911. In 1914 the Income bonds were retired, the holders receiving in exchange therefor par in First Consolidated Mortgage 5% bonds, due 1964 (\$10,000,000 authorized), bearing interest at 2% yearly for first two years, 3% for the next three years, 4% for the next five years and thereafter at 5% per annum. Additional bonds may be issued under this mortgage to retire \$2,720,000 First Mortgage 5% bonds, due 1946, and \$600,000 Augusta Terminal 6% bonds, due 1947, and the balance is reserved for additions, equipment, etc. The company held \$211,734 5% Series B and \$1,544,294 6% Series C Consolidated Mortgage bonds in the treasury December 31, 1927.

A tentative valuation of the property at \$10,402,096 as of June 30, 1915, was announced by the Interstate Commerce Commission. The company filed its protest. In April, 1927, the Interstate Commerce

Commission handed down its final valuation of \$9,991,825 as of June 30, 1915.

Main track on December 31, 1927, contained:

216 miles of 80-pound rail,					15 miles of 63½-pound rail,						
38	"	"	70-	"	"	3	"	"	60-	"	"
22	"	"	65-	"	"	47	"	"	56-	"	"

Balance sheet December 31, 1927, showed Current Assets \$1,416,169, including \$342,799 Materials and Supplies, and Current Liabilities, \$404,687. Credit balance to Profit and Loss was \$2,598,730 and Additions to Property through Income and Surplus were \$1,486,985, making Total Corporate Surplus \$4,085,715.

CHESAPEAKE & OHIO RY.

See Table, page 126.

From October, 1899, to October, 1908, 1% annually was paid on the common stock. In June, 1909, a quarterly dividend of 1% was paid and the annual rate of 4% was maintained to and including March, 1910. In June, 1910, the rate was raised to 5% per annum; in October, 1913, the rate was reduced to 4% per annum. Dividends were paid quarterly at this rate to and including June, 1914. In December, 1914, 1% was paid. No dividends were paid from that date until December, 1916, when 2% was paid. From 1917 to 1920 inclusive, 4% was paid (2% June, 2% December). The dividend was passed in June, 1921, but dividends were resumed at the 4% rate in January, 1922. The 4% rate was continued with payments semi-annual until in April, 1926, the rate was made 8% with a quarterly payment, and at the same time a special dividend of 4% was paid. The annual dividend was increased to 10% with the quarterly payment in July, 1927.

PREFERRED STOCK ISSUE.

In August, 1922, \$12,558,500 new 6½% cumulative preferred stock was underwritten and offered to stockholders at par to the extent of 20% of holdings. More than 90% was taken by stockholders. A total increase of \$30,000,000 in stock was authorized, but the above amount of Series A preferred stock was the only immediate issue intended. This preferred stock is convertible into common stock share for share; and is redeemable by the company at 115 after January 1, 1933. In a letter to stockholders it was pointed out that the proportion of funded debt to capital stock was relatively large, being more than three to one, and that the effect of financing by stock issue should be to improve the company's credit. In December, 1925, \$461,000, during 1926, \$10,154,000, and in 1927, \$759,000 preferred was converted into common stock.

A budget was prepared by the company in 1921 calling for expenditure of \$16,500,000 prior to 1927, providing additions, betterments and improvements to render facilities more nearly equal to those of principal competitors. It was estimated these expenditures, based on 1920 performance, would realize an annual saving in operating expenses of \$4,000,000. Among principal works planned were extension of terminal facilities at Hampton Roads, enlargement of shop and roundhouse facilities, and such track additions as would permit the economical handling over the entire main line of the maximum train load movable with the modern power in use.

CONTROL.

A majority of the capital stock was, until 1906, held by New York Central Lines and Pennsylvania System. In 1905, Pennsylvania R. R. and subsidiaries owned \$15,630,000 of the stock. This was sold in 1906 to Kuhn, Loeb & Co.

In 1909, the Kuhn, Loeb & Co. holdings, then amounting to \$24,000,000, including about \$8,000,000 formerly owned by the New York Central Lines, were disposed of to a syndicate headed by Edwin Hawley.

In January, 1923, it was announced by O. P. Van Sweringen of Cleveland, that he and associates had bought the stock held by the Huntingtons and their associates, giving control of the company. The Van Sweringen interests are identified with the New York, Chicago & St. Louis R. R. system.

In May, 1927, the Chesapeake Corporation was formed to acquire \$60,000,000 Chesapeake & Ohio Ry. common stock.

HOLDINGS OF ERIE AND PERE MARQUETTE STOCKS.

A subsidiary, the Virginia Transportation Co., was formed in 1926 and acquired stocks as follows during 1926 and 1927:

		Average Cost.
Erie R. R.:		
First pfd.....	\$13,740,500	47.210
Second pfd.....	5,049,500	44.936
Common	35,730,000	38.571
Pere Marquette Ry.:		
Prior pref.....	\$210,000	93.194
Preferred	1,260,000	90.287
Common	230,000	117.565

Options were held early in 1927 to purchase additional stock as follows:

		*Average Cost.
Erie R. R.:		
First pfd.....	\$2,469,500	45.875
Second pfd.....	2,470,500	43.750
Common	47,673,900	34.500
Pere Marquette Ry.:		
Common	\$25,560,000	110.000
Common	580,000	110.180

*Plus additions for carrying charges, etc.

At April 30, 1927, the Virginia Transportation Co. had current liabilities of \$4,648,931 including \$2,800,000 note to J. P. Morgan & Co. secured by pledge of \$14,000,000 Erie common stock.

The option to purchase \$17,490,000 Pere Marquette Ry. common stock from the "Nickel Plate" R. R. expired July 1, 1927, and a renewal was refused. The options on \$3,650,000 Pere Marquette Ry. common stock and on all excepting \$100,000 first preferred, \$240,000 second preferred and \$13,150,000 common stock of Erie R. R. were given by the Vaness Co. or the Van Sweringens and were understood to be renewable.

PROPOSAL TO SECURE CONTROL.

In February, 1927, the Chesapeake & Ohio Ry. applied to the Interstate Commerce Commission for authority to acquire stock control of Erie R. R. and Pere Marquette Ry. It was proposed to exercise the administrative control of operations of these roads for the benefit of all the carriers within the proposed group. Simultaneously the authority to offer to stockholders at par \$59,502,400 new common stock was requested. In April, 1927, the stockholders of Chesapeake & Ohio Ry. by a vote of 809,937 to 126,498 shares approved the stock issue. Minority stockholders claiming to represent 126,268 shares held by 1,269 persons intervened in the application to the Interstate Commerce Commission.

PROPOSAL PARTLY APPROVED.

In May, 1928, the Interstate Commerce Commission approved with conditions the acquisition of control of Pere Marquette Ry. by Chesapeake & Ohio Ry. but disapproved the acquisition of Erie R. R. From the transportation standpoint, it was found, Pere Marquette is supplementary to Chesapeake & Ohio, but Erie is neither complementary nor supplementary, and furthermore its acquisition would constitute practically an allocation of an important New York-Chicago trunk line in advance of the adoption of any general plan for the formation of competitive systems in eastern territory. The issuance of \$20,000,000 instead of \$59,502,400 common stock at 150 instead of 100 was approved

for Chesapeake & Ohio Ry., and additional purchases of Pere Marquette Ry. common stock at not exceeding 110 were authorized, a period of one year being allowed for the purpose. In July, 1928, Chesapeake & Ohio Ry. applied for authority to issue \$30,000,000 stock at 100 and to purchase \$17,490,000 Pere Marquette Ry. common stock from "Nickel Plate" R. R. at 133.33 under an option running to June 12, 1929, and superseding that at 110 which had expired July 1, 1927. Cost of \$21,370,000 Pere Marquette Ry. common stock then to be owned would average 122.91. In regard to issuance of new stock it was claimed by the company that the Interstate Commerce Commission was not empowered to require sale at a premium over par.

CHESAPEAKE CORPORATION.

In May, 1927, the Chesapeake Corporation was formed to acquire \$34,500,000 Chesapeake & Ohio Ry. common stock from the Special Investment Corp., a subsidiary of the "Nickel Plate" R. R., and \$25,500,000 from the General Securities Corp., a subsidiary of the Vaness Co. The 600,000 shares were acquired subject to indebtedness equal to \$67.50 per share in each case. Chesapeake Corporation issued 900,000 shares of its stock, 517,500 to Nickel Plate and 382,500 to Vaness Co., and sold \$48,000,000 5% bonds to the public. The bonds are due in 1947 but are redeemable at 100. Bonds are convertible after May 15, 1932, into stock at 220, provided that if the proposed 50% additional C. & O. stock were offered for subscription 180 would be the price for conversion, also provided that the price would be otherwise adjusted in case of special distributions, etc. Sinking fund July 1, annually beginning 1928, in amount equal to half of dividends above 8% on the pledged C. & O. stock, and beginning 1930 a minimum \$960,000 less 2% of bonds retired, is provided. The Chesapeake Corporation stock paid to the Nickel Plate was distributed to stockholders of that company in June, 1927, at the rate of 1.7 shares per share.

See under New York, Chicago & St. Louis R. R. regarding control of Chesapeake Corporation and inter-related stock ownership of the several railroads.

UNIFICATION PROPOSED IN 1924.

Under date of August 20, 1924, O. P. and M. J. Van Sweringen announced a Proposal for the Unified Control and Operation of the New York, Chicago & St. Louis R. R., the Chesapeake & Ohio Ry., the Hocking Valley Ry., the Erie R. R. and the Pere Marquette Ry. (See under New York, Chicago & St. Louis R. R.)

A New Company to be organized was to offer its preferred stock (6% cumulative) and common stock (upon which it was expected to pay 6% dividends) in exchange for stocks of the proposed con-

stituent companies (except for Nickel Plate stock) and was to lease the physical properties.

Holders of Chesapeake & Ohio Ry. first preferred, second preferred, and 6½% preferred stocks were to be offered 115 shares of New Company preferred for each 100 shares, and holders of C. & O. common stock were to be offered 55 shares of New Company preferred and 55 shares of New Company common for each 100 shares. While New Company stocks were to be issued for Hocking Valley Ry. capital stock outstanding in the hands of the public, none were to be issued in respect of Hocking Valley stock owned by the Chesapeake & Ohio Ry. It was provided that the Chesapeake & Ohio convertible bonds might, during the period of their conversion right, be exchanged for such New Company shares as would be due if the bonds had been first converted into Chesapeake & Ohio common stock.

In August, 1924, the board of directors of Chesapeake & Ohio Ry. passed a resolution recommending that stockholders accept the proposal, deposit their stock, and give proxies to a committee formed to carry out the plan. In March, 1925, stockholders approved the terms of the lease, which in its final form provided two alternatives to exchange of stocks: (1) The retention of C. & O. preferred and common stocks with 6½% and 6% dividends respectively payable as part of rental, such dividends to vary as the lessee company paid more or less than 6% on its own preferred or common stocks; or, (2) a cash payment for stocks equal to average market price for six months prior to approval of lease by lessor, or as fixed by appraisers.

Minority stockholders failed to obtain from a Virginia Court (October, 1925) an injunction against execution of the lease, which they claimed must have unanimous approval by stockholders.

In March, 1926, the Interstate Commerce Commission disapproved the Nickel Plate plan, especially criticizing the treatment accorded Chesapeake & Ohio minority stockholders.

LINES ACQUIRED.

The Chesapeake & Ohio Ry. in 1927 owned \$8,837,900 stock of the Hocking Valley Ry. (largely acquired in 1909-10 and 1910-11) or 80.35% of the total outstanding. \$8,825,000 is pledged under the First Lien and Improvement Mortgage. In 1922, \$8,825,900 stock was held at a book value of about \$119 per share. There was also owned on June 30, 1914, \$4,029,200 stock of the Kanawha & Michigan Ry., which was disposed of in October, 1914, to the Toledo & Ohio Central Ry. The profit on the transaction, \$1,119,315, was transferred to surplus.

For payments on account of cost of the Chicago Line, the Chesapeake & Ohio Ry. received securities (\$15,444,308 now owned) of the Chesapeake & Ohio Ry. of Indiana (283 miles), a company

organized in 1910, which acquired at foreclosure sale the road formerly owned by the Chicago, Cincinnati & Louisville R. R. The results of operations of that line, the shortest between Cincinnati and Chicago, have been included from July 1, 1910 with those of the Chesapeake & Ohio Ry. The distance from tidewater at Newport News to Chicago via Chesapeake & Ohio Lines is 940 miles, comparing with the length of lines of other systems from tidewater at New York to Chicago, ranging from 909 miles (Pennsylvania R. R.) to 1,014 miles (Baltimore & Ohio R. R.).

Effective January 1, 1922, properties of Chesapeake & Ohio Ry. of Indiana were leased and December 1, 1921, the Chesapeake & Ohio Northern Ry. was conveyed to the C. & O. Ry.

All of the \$500,000 stock and \$2,200,000 Refunding and General Mortgage bonds of the Sandy Valley & Elkhorn Ry. were purchased July 1, 1925, by Chesapeake & Ohio Ry. at a cost of \$6,676,331 which compared with \$7,900,000 property value including equipment. The line extends 30 miles, Shelby to Dunham, Ky., and is operated under lease.

During 1926, all the stocks of the Island Creek R. R. and the Pond Fork & Bald Knob R. R. were purchased for \$1,500,000 and \$250,000 respectively. The lines are operated under lease.

In 1927, practically all the common stocks of the Sewell Valley R. R. and the Loop & Lookout R. R. were purchased for \$1,150,000, also all the common stock of the Greenbrier & Eastern R. R. for \$1,250,000. The lines are operated under lease.

CONVERTIBLE BONDS.

To finance the acquisition of the Chicago line and of the Hocking Valley stock, and for other purposes, the Chesapeake & Ohio Ry. in 1910 sold to stockholders at 93½, \$31,390,000 of an authorized issue of \$37,200,000 20-year 4½% convertible bonds, due February 1, 1930. These bonds were convertible at par into common stock until February 1, 1920, but none were converted. These bonds are now secured by mileage covered by the new First Lien and Improvement bonds (see following). The indenture provided that as long as the conversion privilege existed the company should not issue any preferred shares nor distribute any shares as stock dividend.

Under date of April 1, 1916, 5% convertible 30-year secured bonds to the amount of \$40,180,000 were sold, secured by \$45,920,000 First Lien and Improvement Mortgage bonds. The proceeds of the issue were used largely to retire \$33,000,000 notes called for payment June 1, 1916. In 1923, \$2,106,500 bonds were converted into common stock at \$80 per share (the ratio prevailing to April 2, 1923), and in 1924 and 1925, \$1,656,000 and \$20,678,000, respectively, were converted at \$90 per share, leaving \$15,739,500 bonds outstanding. To April 2, 1926, these bonds were convertible at \$90 and thereafter at \$100; the issue was called for redemption at 105 October

1, 1926. During 1926, \$13,856,500 were converted at \$90 per share and \$809,000 at \$100. There remained \$1,074,000 bonds to be redeemed of which \$700,500 had not been presented for payment on December 31, 1926, although interest accrual ceased October 1, and \$26,000 still remained outstanding at the close of 1927. As result of the issuance of \$42,844,792 common stock at a discount, Profit and Loss was charged with \$4,547,791 in 1923, 1924, 1925, and 1926.

BONDS.

The First Lien and Improvement Mortgage provides for an issue of \$125,000,000 bonds maturing December 1, 1930. The bonds are a mortgage upon the property subject to existing liens, and upon securities (bonds and stocks) of a par value of \$31,571,308, including practically all of the stock owned of the Hocking Valley Ry., the bonds and stock of the C. & O. Ry. of Indiana, and \$7,302,000 C. & O. General Funding and Improvement 5% bonds, due 1929 (issue limited to \$11,000,000). A total \$75,045,000 First Lien and Improvement bonds have been issued of which on December 31, 1927, \$24,557,000 were pledged and \$50,488,000 held free in the treasury.

BONDS GUARANTEED.

The company is liable as guarantor of bonds not included in its liabilities as follows: Norfolk Terminal & Transportation Co. First Mortgage (\$500,000); Chesapeake & Ohio Grain Elevator Co. First Mortgage (\$820,000); Western Pocohontas Corporation First Mortgage and Extension Mortgages (\$898,000); and Sewell Valley R. R. First Mortgage (\$300,000).

The company is joint guarantor with the "Big Four" (Chesapeake & Ohio Ry. one-third) of the Louisville & Jeffersonville Bridge Co. First Mortgage (\$4,500,000), and with five other roads (Chesapeake & Ohio one-sixth) of the Richmond-Washington Co. Collateral Trust Mortgage (\$10,000,000).

GENERAL.

The Chesapeake & Ohio Ry. during the fourteen years 1909 to December 31, 1922, issued or assumed \$219,306,750 bonds, notes, equipment obligations and preferred stock, realizing \$210,281,974. Capital obligations amounting to \$95,013,976 were paid or purchased at a cost of \$95,570,745, making net increase in obligations with the public of \$124,292,774. As against this increase the company acquired \$27,459,100 securities of other companies (including \$13,709,800 of the C. & O. Ry. Co. of Indiana, \$7,671,900 stock of the Hocking Valley, \$2,600,000 stock of White Sulphur Springs, Inc., and \$2,500,000 stock and notes of the Western Pocahontas Fuel Co.) at a cost of \$27,457,801; properties of other railway companies at a cost of \$12,560,175 (including \$5,636,254 for the Chesapeake & Northern Ry. Co.). Branch lines were extended at

a cost of \$4,340,751 and there was expended \$45,084,531 for second track and additions and betterments, and \$54,962,385 for equipment, less retirements. Total expended in these ways was \$29,694,414 in excess of receipts from issue of obligations less cost of obligations retired.

CONNECTION WITH HOCKING VALLEY RY.

The construction of approximately 63 miles of line between Gregg and Valley Crossing, Ohio, was authorized in 1926. The cost of construction to the close of 1927 was \$14,121,638. The line was opened for service in September, 1927. It connects Chesapeake & Ohio Ry. and Hocking Valley Ry. and supplants the use of Norfolk & Western Ry. tracks for the purpose. In 1925 the Chesapeake & Ohio paid the Norfolk & Western Ry. \$718,941 for use of these tracks. An annual saving of \$1,000,000 was estimated. The new line is the property of the Chesapeake & Hocking Ry. and is leased by Chesapeake & Ohio Ry.

C. & O. RY.—N. & W. RY.

An interesting comparison can be made of the record of the Chesapeake & Ohio Ry. and the Norfolk & Western Ry. over a period of twenty-five years. In 1898-9 gross earnings of each were about \$12,000,000 while in 1927 those of Chesapeake & Ohio were \$133,000,000, about \$22,000,000 more than Norfolk & Western's. Mileage operated by the former in 1927 was 436 miles in excess of the latter's.

These two companies on December 31, 1927, had outstanding stock and bonds as follows:

	C. & O. Ry.	N. & W. Ry.
Common stock	\$117,809,392	\$140,006,300
Preferred stock	1,184,500	22,992,300
Bonds, Equipment Ctfs., etc..	<u>189,345,424</u>	<u>116,456,800</u>
Total.....	\$308,339,316	\$279,455,400

Bituminous coal in 1927 formed 83% of Chesapeake & Ohio's tonnage compared with 78% for Norfolk & Western.

MISCELLANEOUS.

Main track (2,421 miles including second, third and fourth track) contained on December 31, 1927:

444 miles of 130-pound rail,	5 miles of 80-pound rail,
1,529 " " 100- " "	27 " " 75- " "
318 " " 90- " "	20 " " 70- " "
75 " " 85- " "	2 " " lighter rail.

Branches (737 miles) contained 335 miles 100-pound or heavier rail, 51 miles 90-pound rail, 62 miles 85-pound rail, 5 miles 80-

pound rail, 143 miles 75-pound rail, 87 miles 70-pound rail, and 54 miles lighter rail.

Automatic block signal installation in 1926 was complete between Washington, Newport News, and Cincinnati, except for the section between Richmond and Gordonsville, Va.

Double-tracking of the Northern Division was completed in 1927 except for about 4 miles of line.

Final settlement for federal control was effected in 1923, the company agreeing to pay the Government \$7,000,000. The Government, however, agreed to fund indebtedness for additions and betterments made during federal control to the extent of \$9,200,000. In 1924 the company issued its secured 6% note for this amount, due March 1, 1930. As \$7,000,000 was the net sum payable, \$2,200,000 cash was thus released to the company.

Current Assets on December 31, 1927, were \$38,870,217, including \$4,964,772 Material and Supplies, and Current Liabilities \$15,700,286. Credit balance to Profit and Loss was \$79,839,339 and there was also Appropriated Surplus amounting to \$26,664,143, including \$25,536,595 Additions to Property through Income and Surplus.

CLINCHFIELD R. R.

See Table, page 127.

The property of Carolina, Clinchfield & Ohio Ry. since January 1, 1925, has been operated as the Clinchfield R. R. by the joint lessees, Atlantic Coast Line R. R. and Louisville & Nashville R. R.

The railroad extends from Elkhorn City, Ky., southward through western Virginia, eastern Tennessee and North Carolina to the South Carolina line (256 miles), thence via Carolina, Clinchfield & Ohio Ry. of South Carolina (entire \$3,000,000 stock owned) to Spartanburg, S. C. (18 miles); total mileage operated December 31, 1927, including 10 miles of branches and 22 miles of trackage, 309 miles. The line was constructed to provide an outlet to market for the vast deposits of coal lying in what are known as the Clinchfield Coal Districts. The road forms part of a short through route between the Middle West and a portion of Tennessee, the Carolinas, Georgia and Florida, and for commerce through the South Atlantic ports. The road is of an excellent type of construction, and although traversing largely a mountainous country, no grades exceed 1.2% northbound and 1% southbound. Bridges are of steel, equipment the best, etc.

Control prior to 1916 was held by the Cumberland Corporation.

Dividends at the rate of 6% were paid on the preferred stock March, 1913 to September, 1914, inclusive. Prior to lease of the property no dividends were paid on the common stock.

In November, 1924, \$12,600,000 of the stock of this company was publicly offered at 78½%.

LEASED.

In June, 1924, a proposal by Atlantic Coast Line R. R. and Louisville & Nashville R. R. jointly to lease the Carolina, Clinchfield & Ohio Ry., was approved by the Interstate Commerce Commission with certain conditions imposed which were accepted by all parties to the lease. The lease was executed under date of October 16, 1924. Possession of the property was delivered to lessees December 1, 1924.

In 1926, \$1,500,000 income was reported "transferred to other companies", although the accounts of lessors did not show the amount as received. In 1927, no income was so appropriated.

The lease was for a period of 999 years from May 11, 1923. In addition to fixed charges, etc., the lessees agreed to pay rental of \$750,000 annually for three years beginning 1925, \$1,000,000 for ten years beginning 1928 and \$1,250,000 annually thereafter, being equivalent to 3, 4 and 5% respectively on the \$25,000,000 common stock.

Prior to execution of the lease it was required that capitalization of the C. C. & O. Ry. be reduced by retirement of \$5,000,000 6% cumulative income debentures (mostly sold in 1920 to pay floating debt) and \$13,500,000 preferred stock (\$11,500,000 outstanding) which was accomplished in October, 1924.

Other conditions imposed by the Interstate Commerce Commission may be summarized as follows: (1) A separate organization, having a management directly in charge of operations, must be maintained for the C., C. & O. Ry. (2) Within one year the Louisville & Nashville must act toward construction of proposed connections between its branches and the C., C. & O. Ry. (3) Existing routes and channels of trade must be continued and traffic of competing carriers must be handled without discrimination. (4) Rate divisions must be made without discrimination. (5) Issuance of securities by the lessor is limited to actual amounts of expenditures for additions and betterments or of securities refunded.

MISCELLANEOUS.

The First and Consolidated Mortgage was created in December, 1922, limited to \$50,000,000. Series "A" 6% bonds were authorized to the amount of \$9,500,000, of which \$8,000,000, due 1952, were immediately issued and sold, proceeds being applied to retirement of a like amount of Government loans. A discount of \$691,177 was debited to Profit and Loss.

On April 1, 1916, this company guaranteed principal and interest \$500,000 Black Mountain Ry. First Mortgage 5% bonds which mature \$25,000 annually commencing April 1, 1917. In May, 1917, the Clinchfield purchased the then outstanding \$475,000 First Mortgage 5% bonds, also \$50,000 First and \$250,000 Second Income debentures (both issues 6%) of the Black Mountain Ry. The cost of the bonds was \$475,000 payable in 6% promissory notes.

INTEREST IN LANDS.

The "Clinchfield" acquired from the Cumberland Corporation the \$750,000 stock of the Holston Corporation and guaranteed, principal and interest, \$1,500,000 10-year 5% notes of that company due April 1, 1926. For the purpose of refunding these notes, there were issued \$1,500,000 First and Consolidated Mortgage bonds, Series B 5s, due 1956. The Holston Corporation owns valuable real estate at Kingsport, Johnson City and Erwin, Tenn., at Altapass, N. C., and at other points; also extensive terminals and coal docks at Charleston, S. C.

A large area of land is owned at Southport, N. C., through the Southport Harbor Co.; entire \$2,000,000 stock is owned by the "Clinchfield."

The various securities held by the "Clinchfield" are included in the lease.

GENERAL.

A tentative valuation of \$36,595,514 as of June 30, 1917, was placed on the transportation property of the company in July, 1924, by the Interstate Commerce Commission. As of the same date a tentative valuation of \$1,634,073 was placed on the property of the C., C. & O. Ry. of South Carolina.

As of December 31, 1927, main and branch track owned (including C., C. & O. Ry. of S. C.) contained:

252 miles of 100-pound rail,

36 miles of 85-pound rail.

The balance sheet of the lessee organization, the books having been opened January 1, 1925, showed at December 31, 1927, Current Assets \$5,399,776 (including \$3,847,699 cash items) and Current Liabilities \$994,114. Credit balance to Profit and Loss was \$2,141,400.

FLORIDA EAST COAST RY.

See Table, page 128.

No dividends have been paid on the stock of this company.

Of the total \$37,500,000 stock outstanding, \$5,000,000 was sold during 1913-14 and the proceeds used toward completing the line of road from Knight's Key to Key West (45 miles) and for improvements, etc., \$2,500,000 stock was sold during 1917, and \$25,000,000 exchanged in 1924 for an equal amount of 5% income bonds.

The entire authorized issue of \$12,000,000 First Mortgage 4½% bonds, due June 1, 1959, was sold, 1909 to 1914.

The income bonds were sold \$20,000,000 in 1909 and \$5,000,000 in 1913. Interest on the income bonds was paid 3½% in 1909-10; 4%

in 1910-11; 2½% in 1911-12, 1912-13 and 1913-14; 4% in 1914-15; and 5% 1915-16 to and including 1920; none thereafter.

All the stock is held by the Bingham (Flagler) estate. The income bonds were likewise owned.

Following the exchange of stock for income bonds in August, 1924, a new First and Refunding Mortgage was created, and \$15,000,000 5% bonds due 1974 were sold at 92 to bankers in September, 1924. An additional \$15,000,000 bonds were sold at 91½ to bankers in May, 1925. Proceeds were expended in double-tracking the most congested section of the road between Jacksonville and Key West, for retiring floating debt, etc. A further \$15,000,000 bonds were sold at 95 to bankers in March, 1926.

Traffic capacity was increased an estimated 150% by new construction in 1924, 1925 and 1926. The line between Jacksonville and Miami was double-tracked, the work being completed in 1926. Installation of automatic block signals was completed prior to 1927. In three years a total of 412 miles of main track was constructed.

The line of this company originally extended from Jacksonville to Miami, Fla., with branches, about 460 miles. An extension southward from Miami to Key West (155 miles) was completed on January 22, 1912. From Key West this line was subsequently connected by car ferries with Havana, Cuba (106 miles distant).

The earnings of this car ferry line for 1916 were \$1,618,151 and the expenses \$356,578; net earnings \$1,261,574. The car ferries were disposed of at the close of 1916. These ferries are now operated by a separate corporation but stockholders are the same.

On June 30, 1915, there was completed a branch line commencing at Maytown on the Titusville Branch and extending south 122 miles to the shores of Lake Okeechobee. In 1923 plans were announced to construct about 133 miles of road south from Okeechobee to a point near Miami. Cost was estimated at \$4,839,500; construction to be completed before 1928.

The rail program inaugurated in 1921 was completed during 1927, the entire main line now being laid with 90-pound rail.

A final valuation of \$46,200,000 for owned and used property as of June 30, 1916, and of \$764,196 for used but not owned property has been served on the company.

Final settlement for the period of federal control was effected in 1923, the company receiving \$750,000, of which, after adjustment, \$253,706 was credited to Profit and Loss. Final settlement in 1924 for federal guaranty resulted in a charge of \$214,433 against the company, which was deducted from income for the year.

On December 31, 1927, Current Assets (including \$3,643,075 Material and Supplies) were \$7,040,060 and Current Liabilities were \$3,260,131. There was a credit balance to Profit and Loss of \$19,297,801 and Appropriated Surplus of \$794,546.

GEORGIA R. R.

See Table, page 129.

The main line of this road extends from Augusta to Atlanta, 171 miles, with 131 miles of branches, to Macon, to Washington, and to Athens. From Atlanta the lines of Atlanta & West Point R. R. and Western Ry. of Alabama extend to a junction at Montgomery, Ala., with Atlantic Coast Line R. R. and with the New Orleans line of Louisville & Nashville R. R.

The Georgia R. R. is the organization operating the property of Georgia R. R. and Banking Co. for the joint lessees, Atlantic Coast Line R. R. and Louisville & Nashville R. R. The latter companies pay \$600,000 annual rental and as security for the lease Atlantic Coast Line R. R. has deposited with trustee \$500,000 A. C. L. R. R. of South Carolina General First 4% bonds, due 1948, and \$75,000 A. C. L. R. R. First Consolidated 4% bonds, due 1952 and Louisville & Nashville R. R. has deposited \$500,000 South & North Alabama R. R. 5% bonds due 1936. The lease expires in 1980.

Under the lease there are held by lessees \$1,500,000 or 50% of the stock of Western Ry. of Alabama and \$936,100 or 45% of the stock of Atlanta & West Point R. R. (Also \$84,000 bonds and 200 shares of stock of Union Point & White Plains R. R., 12 miles separately operated, and \$31,000 bonds of Monroe R. R., 10 miles leased.) These two roads are separately operated but with Georgia R. R. constitute a continuous line of railroad.

Main track of Georgia R.R. and leased lines December 31, 1927, included: 40 miles of 90-pound rail, 184 miles of 80-pound rail, 97 miles of 65-pound rail, and 8 miles of 56-pound rail.

Of 2,981,497 tons of freight carried in 1927 (3,366,941 in 1926), there were originated 1,087,180 (1,239,418 in 1926) on the line of the road.

Balance sheet of the lessee organization showed \$1,314,657 Current Assets, including \$677,320 Material and Supplies, and \$651,998 Current Liabilities. The only Surplus was \$2,907,815 Additions to Property through Income.

GEORGIA & FLORIDA R. R.

See Table, page 130.

This company took over as of January 1, 1927, the property of the former Railway Co. The latter defaulted its First Mortgage bonds on November 1, 1913, was placed in receivership in March, 1915, and was reorganized under a plan dated October 18, 1926.

New securities were issuable as follows: First Mortgage 6% bonds, Series A, due 1946, \$4,200,000, which were under-

written at 87½ by bankers and of which \$2,300,000 were for the purpose of constructing an extension of 56 miles from Augusta, Ga., to Greenwood, S. C.; Income 6% debentures, due 1951, \$1,500,000, callable at 100, entitled to interest if earned, cumulative from date of completion of the Greenwood extension; Preferred 6% stock, \$9,000,000, cumulative from three years after date of completion of Greenwood extension, callable at 110; Common stock, 100,000 no par value shares.

Bonds of the predecessor company participated in the reorganization as follows: First Mortgage 5% bonds, \$6,200,000, per \$1,000 bond paid \$250 cash and received \$250 Income Debentures, \$1,400 preferred stock, and 12 shares of common stock, or paid no cash and received \$1,000 preferred stock; General Mortgage 6% bonds, \$2,000,000, per \$1,000 bond paid \$25 cash and received scrip for \$25 preferred stock and 5 shares of common stock. Also \$200,000 Millen & Southwestern R. R. 5% bonds and \$200,000 Georgia & Florida Terminal 6% bonds were allowed to exchange for First Mortgage 6% bonds of the new company.

Without giving effect to \$2,300,000 bonds issued for new construction, the capitalization was reduced \$3,850,000 in reorganization, and fixed and contingent interest charges were reduced from \$621,020 to \$427,020, a difference of \$194,000, which difference would be \$284,000 until the Greenwood extension is completed, owing to the provisions for interest payments on the Income debentures.

By the extension to Greenwood, S. C., a connection will be made with Seaboard Air Line Ry. and Piedmont & Northern R. R., the latter a strong, independent electric line. Through these, the Georgia & Florida R. R. will have access to the important traffic producing territory of the Piedmont District of northern South Carolina and central North Carolina. It will reach the Clinchfield R. R. at Spartanburg by means of the Piedmont & Northern R. R. and expects to receive from it coal and other commodities moving south. The Seaboard Air Line Ry. and Charleston & Western Carolina Ry., a subsidiary of Atlantic Coast Line R. R., likewise connect with the Clinchfield R. R. and have their own lines south.

In 1924, the Statesboro Northern Ry., 38 miles, was leased for 6% on the \$120,000 First Mortgage bonds, and beginning 1927 the earnings were included with those of Georgia & Florida R. R.

During 1927, 48.5% of tonnage carried originated on company's line, of which 16% was clay, gravel, stone and sand and 13.7% forest products.

On December 31, 1927, Current Assets were \$251,963, including \$128,690 Materials and Supplies, and Current Liabilities were \$346,812, including \$22,500 Loans and Bills Payable (Locomotive Notes).

GEORGIA SOUTHERN & FLORIDA RY.

See Table, page 131.

The first preferred stock is entitled to 5% non-cumulative dividends and is redeemable at par. The second preferred stock is entitled to 5% non-cumulative dividends. After 5% shall have been paid on the common stock all classes share alike. The first preferred stock is secured by a mortgage on the property, ranking prior to the First Consolidated Mortgage.

The Georgia Southern & Florida Ry. is controlled by the Southern Ry., which owns \$177,700 Georgia Southern & Florida Ry. first preferred stock, \$478,200 second preferred stock, and \$1,691,500 common stock; also, \$2,000,000 First Consolidated 4% bonds.

Dividends at the rate of 5% were paid on the first and second preferred stocks for a number of years including 1920. The May, 1921, semi-annual dividends were passed. Dividends on the first and second preferred stocks were resumed in November, 1923. An initial dividend of 5% was declared on the common stock in October, 1926 but none was declared in 1927 or 1928.

In 1902, this company made a First Consolidated Mortgage to secure \$10,000,000 4% 50-year bonds. Of these bonds, \$2,000,000 were issued to acquire the Atlantic, Valdosta & Western R. R., 107 miles (previously owned by the Southern Ry.), \$4,684,000 were reserved to retire the First Mortgage bonds and the first preferred stock, and the balance for future requirements. (\$3,200,000 were issued to December 31, 1927, of which \$1,200,000 were in the treasury unpledged.)

The Macon & Birmingham Ry., La Grange to Macon, 105 miles, is owned by the Georgia Southern & Florida Ry., but it was operated independently. In 1908, a receiver was appointed for this last named road. Operation was suspended in 1922.

The Georgia Southern & Florida Ry. owned the stock of the Hawkinsville & Florida Southern Ry. (44 miles), and guaranteed principal and interest \$606,000 5% bonds of that company. This road was leased for 45 years from May 1, 1907, to the Gulf Line Ry. (total mileage of the two companies, 100 miles). The Gulf Line Ry. was purchased in 1912-13 by the Hawkinsville & Florida Southern Ry., and the two were virtually controlled and operated by the Georgia Southern & Florida Ry. In 1921 abandonment of the line was authorized; and in 1922, 50 miles (of total 96) were sold at receiver's sale for \$125,000 and are being operated by the Georgia, Ashburn, Sylvester & Camilla Ry. Co. All of the property under the mortgage has been sold upon foreclosure. Obligation of Georgia Southern & Florida Ry. in respect to \$571,000 guaranteed bonds outstanding was settled in 1924 by issue of \$424,156 5% debenture bonds and scrip of the G. S. & F. due in 1952. Bondholders received the balance of \$146,844 in cash from foreclosure sale. A special fund (\$30,193, December 31, 1927)

will be created out of income during the life of these debentures sufficient to retire the issue at maturity. Georgia Southern & Florida Ry. held \$37,884 of the debentures unpledged in treasury on December 31, 1927.

In 1902-3, forest products handled amounted to 547,075 tons, or 64% of the total tonnage; in 1921, forest products amounted to 330,272 tons or 21% of the total tonnage; in 1922, 442,934 tons, or 28%; in 1923, 568,266 tons, or 30%; in 1924, 445,852 tons, or 24%; in 1925, 395,039, or 15%; in 1926, 392,457, or 13%; and in 1927, 286,861, or 13%.

Automatic electric block signals and train control devices were installed on the line between Macon and Jacksonville in 1927 at about \$1,300,000 cost.

A final valuation of \$9,451,992 as of June 30, 1915, has been placed on carrier property of the company.

Including \$537,501 Material and Supplies on hand, the Current Assets on December 31, 1927, were \$1,403,540, and Current Liabilities were \$2,175,110. The credit balance to Profit and Loss was \$3,202,648 and Corporate Surplus \$3,245,501.

NORFOLK SOUTHERN R. R.

See Table, page 132.

In January, 1911, an initial quarterly dividend of $\frac{1}{2}$ of 1% was paid on the stock of the present company, which rate of 2% annually was continued to and including January, 1914; none since.

PROPERTY OF COMPANY.

Steam lines, 889 miles including 8 miles trackage rights, extend from Cape Henry, Norfolk, Va., and Suffolk, Va., on the north, to Edenton, N. C., and by means of a 9-mile bridge across Albemarle Sound, to New Bern, Beaufort and other important points in eastern North Carolina and westward to Raleigh and Charlotte, N. C., also to Goldsboro, N. C. In addition, the company operates about 42 miles of electric road (Norfolk to Virginia Beach, Cape Henry, etc.). A subsidiary was created in 1926 to operate motor bus service between Norfolk and Virginia Beach, via Cape Henry.

The company owns the entire capital stock and all the bonds of the John L. Roper Lumber Co. This company owns a number of mills, together with timber rights on 800,000 acres of land (600,000 owned in fee) from which considerable timber has already been cut. In 1925 \$142,000, in 1926 \$119,000, and in 1927 \$118,000 of the bonds were redeemed by sinking fund. Norfolk Southern realizing \$113,400 profit which was credited to Profit and Loss. The \$2,269,000 bonds held December 31, 1927, were carried at \$1,815,200. The bonds are pledged under the First and Refunding Mortgage.

In 1911-12, the Norfolk Southern R. R. acquired control of three

railroads, all in North Carolina, namely the Aberdeen & Ashboro Ry. extending from Aberdeen to Ashboro (57 miles), with various branches (48 miles); the Durham & Charlotte R. R. (50 miles), and the Raleigh & Southport Ry. extending from Raleigh to Fayetteville (64 miles); in 1912-13 a connecting line (22 miles) was built and the three above companies were consolidated (1911-12) into the Raleigh, Charlotte & Southern Ry. An extension westward from Mt. Gilead (on the Aberdeen & Ashboro Ry.) to Charlotte (53 miles) was completed in 1913.

Final valuation of \$24,426,465 as of June 30, 1914, was placed upon owned carrier property in March, 1925.

On the table page of this book the revenues of the rail lines only are shown. The results of the Norfolk Southern R. R. Electric Division (42 miles) have been as follows:

	Operating Revenues	After Taxes
Year 1927	\$430,523	\$62,141
Year 1926	438,764	60,322
Year 1925	386,215	42,332
Year 1924	452,379	65,161
Year 1923	471,427	81,750
Year 1922	481,290	83,102
Year 1921	555,619	123,184

GENERAL.

Products of forests contributed 21.0% and products of agriculture (tobacco, cotton, fruit and vegetables) 11.6% of the freight tonnage in 1927.

The balance sheet of the Norfolk Southern R.R. as of December 31, 1927, showed Current Assets (including \$718,421 Material and Supplies) \$1,988,327 and Current Liabilities \$666,651. Unextinguished Discount on Funded Debt was \$690,720; Surplus was \$6,424,464.

RECEIVERSHIP AND REORGANIZATION.

The property of the former Norfolk & Southern Ry. was sold under foreclosure of the First and Refunding Mortgage. On May 5, 1910, the receivers were discharged and the present company took possession of the property.

The reorganization provided for the issuance of \$35,000,000 First and Refunding Mortgage 5% bonds due 1961, and \$16,000,000 stock.

The bonds are secured by a mortgage upon all the property, including the stock and bonds of the John L. Roper Lumber Co. Bonds under the mortgage are issuable (total, \$35,000,000):

General corporate purposes	\$8,100,000
To retire underlying bonds	3,130,000
Extensions, betterments, equipment, etc. ..	23,770,000

\$14,891,000 of the authorized bonds have been issued and the proceeds used to retire \$5,976,400 6% notes, \$5,403,000 5% notes

and to provide funds for corporate purposes, equipment, etc. Of the amount issued \$2,700,000 had been retired through sinking fund to December 31, 1927. Profit of \$5,080 on redemption of \$93,000 in 1927 was credited to Profit and Loss. In 1927, \$1,616,400 6% notes were paid off (included in total above) partly by the sale of \$1,466,000 First and Refunding 5% bonds and partly by treasury funds.

The capital stock of \$16,000,000 was appropriated approximately as follows: \$1,142.80 stock for each \$1,000 old First and Refunding Mortgage bonds deposited. In this way it was intended to recognize on the basis of par in stock the original cash investment in the property.

The fixed charges of the reorganized company amounted to \$583,344 in 1910-11, as against charges in excess of \$1,000,000 under the former basis of capitalization.

Amount of funded debt outstanding December 31, 1927 (\$16,531,400) was the smallest since 1914.

NORFOLK & WESTERN RY.

See Table, page 133.

The preferred stock is limited to 4% non-cumulative dividends. The common stock received 2% in 1901, and 3½% in 1902, and 3% until December, 1905, when the rate was raised to 4%. In December, 1906, the annual rate was raised to 5%, but in June, 1908, reduced to 4%. In December, 1909, the rate was increased to 5%, in December, 1911, to 6% and in June, 1916 to 7%, which rate was regularly maintained. In March, 1927 the regular dividend was increased to 8% rate. In June, 1916, March, 1917 and in December, 1922, 1923, 1924 and 1925, 1% extra, in December, 1926, 3%, and in December, 1927, 2% extra dividends were paid.

At the close of 1927 there were 12,055 stockholders.

LEASE OF VIRGINIAN RY. DENIED.

Stockholders of Norfolk & Western Ry. and Virginian Ry. in May, 1925, approved a proposal to lease the property of the latter to the former road at a rental equal to 6% on Virginian Ry. preferred and common stocks. The two roads connect at eight points. During 1925 an important connection at Matoaka, W. Va., was developed and improved, giving the Virginian Ry., hitherto limited to eastbound traffic, an outlet to the Lakes and Northwest. Approval of the lease was refused by the Interstate Commerce Commission in October, 1926, and while contest by litigation was considered the Virginian Ry. was unwilling to co-operate.

HOLDINGS BY PENNSYLVANIA R. R.

In 1900-1, the Pennsylvania R. R., together with controlled roads, acquired control of this road through purchase of stock. On

December 31, 1905, \$11,000,000 preferred stock and \$22,830,000 common stock was owned by the Pennsylvania Lines.

In 1906 the Pennsylvania R. R. sold to Kuhn, Loeb & Co. all of its holdings in Norfolk & Western Ry. stock, excepting \$3,246,000 preferred and \$6,246,000 common, leaving the amount owned by the various Pennsylvania Lines, \$8,746,000 preferred stock and \$8,746,000 common stock.

In April, 1909, the Pennsylvania R. R. repurchased the Norfolk & Western Ry. stock previously sold to Kuhn, Loeb & Co.

At December 31, 1927, the Pennsylvania R. R. System held (including \$1,040,000 common in insurance fund) \$58,392,000 common and \$12,238,000 preferred stock of Norfolk & Western Ry. This represented approximately 43.33% interest, both classes of stock having equal voting power.

In March, 1924, committees were appointed by this company and Pennsylvania R. R. to confer on the advisability of leasing the N. & W. on terms which would preserve its operating identity. In June, 1924, negotiations ceased. It was found impossible to agree upon mutually satisfactory terms. (See under Pennsylvania R. R.)

COAL PROPERTIES AND TRAFFIC.

In 1901 the Norfolk & Western Ry. acquired the capital stock of the Pocahontas Coal & Coke Co. and joined with that company in the issue of \$20,000,000 4% Purchase-Money Mortgage bonds, due December 1, 1941, in settlement for the purchase by the coal company of its lands and interest in lands. Approximately 300,000 acres of coal and mineral lands in West Virginia and Virginia are directly pledged under the mortgage. About 180,000 acres of the 300,000 owned were in 1927 under lease to operating companies. The company is a land-owning company and neither mines nor sells coal itself. It is proceeding with the work of consolidating its properties through purchase of interior tracts and exchanges of lands with other companies. Income is derived from royalties paid by operating companies and from sales of timber. In 1927, 14,523,989 (1926, 16,509,648; 1925, 14,808,596) tons of coal and 14,284 tons of coke were produced. Royalties amounted to \$1,513,615 and total income \$1,642,871 (1926, \$1,841,264; 1925, \$1,841,264; 1924, \$1,410,581); after deductions of operating expenses, taxes, interest sinking fund, etc., the net income was \$378,551 (1926, \$453,317; 1925, \$374,754; 1924, \$277,170); the 1926 earnings were largest in history of the company.

In February, 1928, \$12,889,000 of the Purchase-Money bonds were outstanding. It is agreed between the Norfolk & Western Ry. and the Coal Co. that the latter shall pay the principal and interest, but this agreement does not affect the liability of the two companies or either of them to the holders of the bonds. Since 1906, a sinking fund of 2½ cents per ton of coal mined has been set aside for retirement of bonds. Sinking fund totaled to December 31, 1927,

\$6,357,034 (including \$221,987 from sales of land) and \$7,111,000 bonds had been purchased and cancelled to February, 1928. The deficiency of interest on these bonds is provided for through an agreement between the Norfolk & Western Ry. and the Pennsylvania Lines West of Pittsburgh, a provision of which agreement is that these companies shall loan to the Pocahontas Company, without interest, in the proportion of two-thirds by the Norfolk & Western Ry. and one-third by the Pennsylvania Lines, such amounts as may be necessary.

The Pocahontas Coal & Coke Co. owed, as of December 31, 1927, account of these deficiencies \$430,000 to the Norfolk & Western Ry. and \$215,000 to the Pennsylvania Lines. There was also due by the Coal Company to the Norfolk & Western Ry., \$1,400,000 account of advances for property expenditures. The Coal Company's report showed as of that date a debit balance to Profit and Loss of \$306,639.

Bituminous coal contributed 78% of the total tonnage carried in 1927, against 78% in 1926, 76% in 1925, 73% in 1924, 69% in 1923, 75% in 1922, 73% in 1921, and 66% in 1916.

There were 206 coal mines in operation of a total of 282 on Norfolk & Western lines at the close of 1927. The number of blast furnaces was 15, with daily capacity 3,230 tons of pig iron.

A report made for the National Conservation Commission in 1908 stated that there remained available in the coal fields of West Virginia (from which this road obtains its tonnage) 230,389,000,000 short tons, or nearly 4,800 times the total production of 1907. The Norfolk & Western Ry. handled in 1927, 42,634,250 tons of bituminous coal (1926, 45,599,980; 1925, 38,122,834; 1924, 32,579,530; 1923, 29,468,395; 1922, 28,120,614; 1921, 21,766,196; 1920, 26,035,500).

BETTERMENT, CONSTRUCTION, ETC.

From the organization of the company October 1, 1896, to December 31, 1927, expenditures to the amount of \$55,247,078 were made from income for additions and betterments, of which \$10,892,221 spent prior to July 1, 1907 has not been capitalized.

Appropriations from surplus earnings for betterments, etc., have been made as follows:

1902-3.....	\$2,500,000	1912-13	\$1,553,088
1903-4.....	2,000,000	1913-14	2,093,918
1904-5.....	2,250,000	1914-15	1,534,095
1905-6.....	2,950,000	*1915-16	9,054,278
1906-7.....	1,246,652	1917	7,251,275
1907-8.....	1,360,000	1921	449,906
1908-9.....	1,730,580	1922	2,041,797
1909-10.....	3,573,598	1923	114,845
1910-11.....	2,597,109	1924	56,437
1911-12.....	1,372,065	1925	532,267

*\$9,353,819 during calendar year ended December 31, 1916.

A tentative valuation as of June 30, 1916, of \$237,392,000 was served on the Norfolk & Western Ry. Railway property investment on the books was about \$283,400,000 at that date.

BONDS.

In 1904, \$35,000,000 Divisional First Lien and General Mortgage bonds, due 1944, interest limited to 4%, were authorized. In December, 1924, \$6,000,000 of these bonds were sold to reimburse the company for capital expenditures 1918-20, bringing total to \$29,000,000 bonds outstanding. In May, 1926, \$6,000,000 additional bonds were sold at 90 to bankers for general purposes. This mortgage is now closed.

Stockholders in 1906-7 were offered the privilege of subscribing at par for \$14,576,000 and in 1909-10 for \$10,993,000 of an authorized issue of \$34,000,000 4% convertible bonds. These bonds mature June 1, 1932, and were convertible into common stock at par prior to June 1, 1917. Only \$285,000 remain outstanding, the balance having been converted.

Stockholders in 1912 subscribed at par for \$13,300,000 10-20 year convertible 4% bonds also due 1932. These bonds were converted into common stock at par to September 1, 1922, excepting \$41,000 which remain outstanding.

Stockholders in 1913 to extent of 15% of holdings subscribed at 102½ for \$17,138,500 4½% 10-25-year bonds, due 1938, convertible into common stock at par to September 1, 1923. An additional \$1,213,000 held in the treasury were sold in 1922. Only \$115,000 of the entire amount are outstanding, the balance having been converted.

In November, 1918, stockholders were offered privilege of subscribing at par to \$17,945,000 10-year convertible 6% bonds to the extent of 12½% of holdings. Bonds are due September 1, 1929, and are convertible into common stock par for par any time during their life. To December 31, 1927, \$17,227,700 (\$5,800,000 in 1924, \$2,525,000 in 1925, \$2,251,000 in 1926, and \$436,000 in 1927) had been converted, and \$717,300 remained outstanding.

In September, 1924, \$666,000 First Consolidated Mortgage 4% bonds were sold for \$600,000, reimbursing the company for payment at maturity in 1922 of \$600,000 Columbus Connecting & Terminal R. R. bonds.

GENERAL.

On May 1, 1911, there was placed in operation a line known as the Winston-Salem Southbound Ry. extending from Winston-Salem, N. C., to Wadesboro, N. C. (89 miles). This line forms a connecting link between the Norfolk & Western Ry. and the Atlantic Coast Line R. R. The proprietary companies, each owning one-half of the \$1,245,000 stock, guarantee an issue of this company's 50-year 4% bonds, in amount \$5,000,000, which were

sold in 1911. Plans for a terminal at Winston-Salem, N. C., were considered in 1915 and \$250,000 bonds sold. The site purchased, however, was found unsuitable. In 1922 the project was revived, the Winston-Salem Terminal Co. being formed, the stock owned equally by Winston-Salem Southbound Ry., Norfolk & Western Ry., and Southern Ry. These companies guarantee \$800,000 Terminal Co. bonds which have been sold. The \$250,000 bonds sold in 1915 were retired in January, 1925.

With 132 miles placed in operation January 1, 1927, automatic train control has been installed on the entire Shenandoah Division, 239 miles, Roanoke, Va., to Hagerstown, Md.

Main, second, and third track, 2,177 miles (of which 634 second and third track) included, December 31, 1927:

880 miles of 130-pound rail,	38 miles of 75-pound rail,
1,037 " " 100- " "	3 " " 67- " "
216 " " 85- " "	5 " " 56- " "

Branches, 683 miles, included 127 miles of 130-pound rail, 169 miles of 100-pound rail, and 217 miles of 85-pound rail.

Balance sheet of the Norfolk & Western Ry. as of December 31, 1927, showed Current Assets of \$21,837,083 (including \$13,862,626 Material and Supplies) and Current Liabilities of \$7,235,351. In addition to Current Assets there were held as investment of surplus cash \$22,660,314 (1926, \$26,725,416) par value of short-term railroad, state, county, and municipal obligations. There was a Profit and Loss credit of \$101,652,615. Additions to Property through Income and Surplus amounting to \$44,354,857 were also included in Corporate Surplus.

In 1923 the company received \$7,285,000 from the Government in final settlement for the federal control period.

GROWTH IN EARNINGS, CAPITALIZATION, ETC.

A comparison of the statement of the Norfolk & Western Ry. for 1927 with that for 1900-1 shows the following changes:

	1927	1900-1
Miles Operated	2,242	1,560
Gross Earnings	\$110,948,201	\$15,854,059
Maintenance Expenses	36,972,945	4,300,619
Fixed Charges	15,759,593	2,658,620
Net Income	30,552,975	4,157,831
Dividends Paid	14,910,460	1,554,616
Stock Outstanding	162,998,600	87,217,700
Bonds Outstanding	116,456,800	51,283,500
Miles Second, etc., Track.....	634 miles	83 miles
Miles Sidings	1,601 miles	498 miles
Ton Miles per Mile of Road.....	6,702,062	1,836,135
Pass. Miles per Mile of Road.....	90,136	55,103

GROWTH FROM 1913 TO 1927.

The additions to cost of road and equipment from July 1, 1913, to December 31, 1927, amounted to upwards of \$185,000,000. These expenditures have not added greatly to the mileage of road, but were chiefly applied to providing additional second tracks (including the low grade line from Burkeville to Pamplin), sidings and yard tracks, to electrifying part of the system, and to increasing the tractive power and carrying capacity of locomotives and cars. The general effect of these expenditures is indicated in the following comparative figures for the years ending June 30, 1913, and December 31, 1927:

Years Ended:	June 30, 1913	Dec. 31, 1927
Total miles of main line and branches.	2,020	2,242
Total miles of second track, additional tracks, and sidings.....	1,598	2,235
Tractive power of locomotives (lbs.)..	39,252,900	53,455,150
Tonnage capacity of freight cars.....	1,987,173	2,856,287
Total cost of road and equipment.....	\$233,922,917	\$421,517,537
Ton mileage of revenue freight.....	8,856,070,381	15,024,347,148
Gross operating revenues.....	\$43,739,920	\$110,948,201
Net revenue from railway operations..	15,174,107	41,252,075
Credit balance to profit and loss.....	11,423,106	101,652,615
Annual interest on funded debt.....	4,246,567	4,983,149

RICHMOND, FREDERICKSBURG & POTOMAC R. R.

See Table, page 134.

In 1901, the Richmond-Washington Co. was incorporated and acquired all of the capital stock and bonds of the Washington Southern Ry. and a majority of the voting capital stock of the Richmond, Fredericksburg & Potomac R. R. The Commonwealth of Virginia (sinking fund commissioners) owns \$275,200 common stock in the latter company. The Richmond-Washington Co. is owned jointly by Pennsylvania R. R., Baltimore & Ohio R. R., Atlantic Coast Line R. R., Southern Ry., Seaboard Air Line Ry., and Chesapeake & Ohio Ry.

The Richmond-Washington Co. owns the entire \$2,680,000 General Mortgage 3½% bonds of 1943, \$947,200 common stock, the entire \$4,000,000 non-voting common stock, and a large amount of dividend obligations of the Richmond, Fredericksburg & Potomac R. R., and the entire issue of bonds and notes of the Washington Southern Ry., and has deposited most of these securities as collateral to the \$10,000,000 Richmond-Washington Co. collateral trust 4% bonds, due June 1, 1943, which are guaranteed, prin-

capital and interest, by the six proprietary companies, jointly and severally.

The guaranteed stock bears guaranteed interest—\$481,100 at 7% and \$19,300 at 6%. The non-voting 6% stock (issued 1920) is entitled to non-cumulative dividends at that fixed rate. The dividend obligations stand upon the same footing as common stock, except that they do not carry voting power.

Dividends of 9% per annum were paid for a number of years on all the stock and the dividend obligations. In 1907 an extra dividend of 25% and in February, 1916, an extra 50% were declared payable in dividend obligations.

In January, 1923, an extra of 100% payable in dividend obligations was declared to holders of guaranteed stock, common voting stock and dividend obligations. In 1917 the dividend rate was 14%. In 1918, 1919, 1920, 1921, and 1922, 9% was paid each year. In 1923 and 1924, on the enlarged capital, 7% was paid on all classes of stock except non-voting common. In 1925 and 1926, in addition to regular 7% dividends, 5% special dividends were paid and in 1927 a total of 7½% was paid.

In February, 1920, the Washington Southern Ry. (32 miles owned) was merged into the Richmond, Fredericksburg & Potomac R. R. Latter assumed the \$4,000,000 First Mortgage 4% bonds due 1943 and issued in exchange for the outstanding \$4,000,000 common voting stock, \$4,000,000 non-voting 6% non-cumulative common stock. During the "test period" the average dividend on Washington Southern Ry. stock was 3.7%.

Practically the entire main and second-track operated by the Richmond, Fredericksburg & Potomac R. R. is laid with 100-pound rail.

The following sums were in former years (none since) appropriated from surplus earnings for Additions and Betterments and for Special Contingent Fund:

Year 1904-5.....	\$100,000	Year 1910-11.....	\$204,394
Year 1905-6.....	158,717	Year 1911-12.....	204,214
Year 1906-7.....	76,000	Year 1912-13.....	270,613
Year 1908-9.....	151,851	Year 1913-14.....	220,881
Year 1909-10.....	277,859	Year 1914-15.....	201,918
Year 1915-16.....	\$430,167		

In 1920 \$62,964, in 1922 and 1923 \$600,000 in each year, and in 1925 \$400,000, were set aside out of earnings as a special reserve to cover possible required payments to the Government under the Transportation Act provision for "recapture" of half of earnings beyond 6% on the value of property. No amount was set aside in 1926 and 1927. For the year 1922 the company actually paid the Government \$169,343 and for 1923 \$25,577 on this account. No such payment was made in 1924 or in 1925.

Tentative valuations of \$11,189,700 and \$7,108,640, as of June 30, 1916, have been placed on the transportation properties of the R. F. & P. and the former Washington Southern Ry. by the Interstate Commerce Commission. Over \$12,000,000 has been expended on the present property since 1916.

As of December 31, 1927, Current Assets were \$4,018,875 (including \$1,304,134 Material and Supplies) and Current Liabilities were \$2,098,856. Credit balance to Profit and Loss was \$6,886,062 and Appropriated Surplus \$1,889,543.

SEABOARD AIR LINE RY.

See Table, page 135.

Of \$100,000,000 stock authorized, \$27,273,100 preferred and \$40,041,000 common stock have been issued, including \$3,341,700 preferred and \$3,021,900 common stock held by the company, practically all pledged. Of the preferred stock \$2,273,100 of which \$37,300 is actually outstanding is entitled to 6% non-cumulative dividends, and \$25,000,000 of which \$23,894,100 is outstanding is entitled to 4% non-cumulative dividends and, after the common stock has received 4%, to 2% additional. As between the two preferred stocks neither has priority.

These stocks were issued late in 1915 upon consolidation of Carolina, Atlantic & Western Ry. with Seaboard Air Line Ry. Common stock of both companies received new common share for share. Former Seaboard Air Line preferred stock was exchanged for an equal amount of "4-2% preferred stock" and Refunding 5% bonds of Carolina, Atlantic & Western were exchanged for an equal amount of 6% preferred stock.

No dividends have been paid on any of these stock issues.

The former preferred stock of Seaboard Air Line Ry. likewise was entitled to 4% with 2% additional after 4% on the common stock. An initial 1% dividend was paid in November, 1913 and 1% was paid in February, May, and August, 1914; none thereafter.

FINANCIAL READJUSTMENT, 1909.

In January, 1908, receivers were appointed for the Seaboard Air Line Ry., there being at that time a considerable floating debt. In October, 1909, an adjustment plan was adopted. The company recorded two mortgages authorized under the adjustment plan aggregating \$150,000,000; one mortgage was for \$25,000,000 40-year Adjustment Income cumulative 5% bonds, and the other was for \$125,000,000 50-year Refunding 4% bonds.

Of the \$25,000,000 Adjustment Income bonds, \$24,979,500 were issued immediately as follows: \$6,979,500 to holders of General Mortgage 5% bonds (as per plan) and \$18,000,000 to an underwriting syndicate at 70 less commission, these latter bonds, how-

ever, having been offered at 70 to the stockholders of the Seaboard Air Line Ry. and Seaboard Co. (formerly a holding company for Seaboard Air Line Ry. stock—since dissolved) to the extent of 30% of their total holdings. The entire \$25,000,000 are now outstanding. The full interest was regularly paid on the Adjustment bonds to and including February 1, 1921. In 1924, 1925, 1926 and 1927 5% interest was paid, February and August 1, leaving 12½% coupons unpaid. Interest on August 1, 1928, was not paid.

Of the Refunding Mortgage bonds \$19,000,000 were sold in 1911 chiefly to retire \$14,651,000 5% bonds and notes; on December 31, 1927, \$19,350,000 were outstanding and \$62,587,000 were pledged under the First and Consolidated Mortgage.

FIRST AND CONSOLIDATED MORTGAGE.

Under date of September 1, 1915, the Seaboard Air Line Ry. Co. authorized a new First and Consolidated Mortgage for \$300,000,000. A total of \$50,747,500 6% bonds, due 1945, were outstanding December 31, 1927. The mortgage is a first lien on 442 miles of road including 258 miles of main line, Hamlet, N. C., to Savannah, Ga., also secured by pledge of \$62,587,000 Refunding Mortgage bonds. In September, 1925, \$10,000,000 and in July, 1926, \$8,000,000 bonds were sold. In February, 1927, \$5,000,000 additional bonds were sold at 96½ to bankers. As of December 31, 1927, \$22,108,500 bonds were owned and pledged and \$1,408,000 were in the treasury of the company.

Covenants made by the company allow issuance only of First and Consolidated and Refunding bonds under the mortgages now existing; the Refunding bonds issued must be pledged under the First and Consolidated Mortgage.

DEVELOPMENT IN FLORIDA.

To construct 238 miles of railroad, giving Seaboard Air Line an extension to West Palm Beach, Florida, the Florida Western & Northern R. R. was incorporated in 1924. Construction of this mileage was practically completed, and the main line in operation, in January, 1925. The main line connects with the main line of the Seaboard at Coleman and, crossing the latter's branch which extends east from Tampa to Nalaca near Nalaca, runs southeast 204 miles to West Palm Beach, with four branches aggregating 33 miles. The new mileage gives the Seaboard a route of 954 miles from Richmond to West Palm Beach as compared with 979 miles for competing lines, and in conjunction with the Tampa-Nalaca branch affords the only east-west coast railroad connection in southern Florida. The line is laid with 100-pound rails.

The Florida Western & Northern R. R. issued to the Seaboard Air Line Ry. \$5,000 common stock and issued \$7,000,000 First Mortgage 7% bonds, Series A, due 1934, which were sold to the public at 100 in May, 1924. The bonds were called at 104 November 15, 1925. The Series A bonds carried title to 70,000 shares (10 shares per bond) of the common stock of the Land Co. of Florida. The Land Co. sold at par \$2,000,000 preferred stock to the Seaboard Air Line Ry. and also issued 140,000 shares of common stock, of which 70,000 were deposited for bondholders, 35,000 delivered to Dillon, Read & Co. in consideration for purchasing the bonds at 92½, and 35,000 delivered to Seaboard Air Line. The Land Co. acquired about 160,000 acres of land along the route of the Florida Western & Northern R. R. with intent to sell it eventually to settlers on deferred payment plan for farming. It was estimated in 1925 that the \$2,000,000 original cost of this land would be returned from sale of timber and about 1,000 acres of town sites, while value of the land remaining would be between \$6,000,000 and \$7,000,000. At the close of 1927, the Seaboard held \$1,370,000 preferred stock, increase \$970,000 in the year, the 35,000 shares of common, carried at \$1,000 book value, and \$726,143 notes of the Land Co.

An issue of \$25,000,000 Seaboard-All Florida Ry. First Mortgage 6% bonds was sold in July, 1925 to redeem the \$7,000,000 Florida, Western & Northern 7% bonds, and also \$525,000 East & West Coast Ry. First Mortgage bonds, and to provide funds for new construction in Florida. The Seaboard-All Florida Ry. was leased by Seaboard Air Line Ry. and in turn leased the Florida Western & Northern R. R. and East & West Coast Ry. (47 miles on the west coast) which latter was in November, 1925, leased directly by the Seaboard. These subsidiaries early in 1927 completed about 208 miles of extensions, on the east coast from West Palm Beach to Miami and on the west coast through Fort Myers and beyond. In February, 1927, \$2,000,000 additional Seaboard-All-Florida First Mortgage 6% bonds, Series B, due 1935, were sold at 95½ to bankers. At the close of 1927, \$27,194,000 Seaboard-All Florida Ry. First Mortgage 7% bonds were outstanding, guaranteed by Seaboard Air Line Ry.

The purchase of the South Georgia Ry., 81 miles, Adel, Ga., via Greenville, Fla., a point of connection with Seaboard lines, to Hampton Springs, Fla., was proposed by Seaboard-All Florida Ry. in 1927.

Acquisition by lease of the Georgia, Florida & Alabama R. R. was made by the Seaboard effective January 1, 1928. This property has about 193 miles of main line from Richland, Ga., to Tallahassee, Fla., and serves as a bridge between the Savannah-Montgomery and Jacksonville-River Junction lines of the Seaboard Air Line Ry.

Effective January 1, 1926, the Charlotte Harbor & Northern Ry., 104 miles, was leased for three years from American Agricultural Chemical Co. for \$960,000 total rental with agreement to purchase the stock for between \$5,225,000 and \$5,500,000 at the end of this time. The stock was purchased as of March 1, 1928, by Seaboard Air Line and the property leased. In February, 1928, \$7,500,000 3-year 5% notes were sold by the Seaboard for cost of C. H. & N. Ry. stock. Results of operation were included in Seaboard earnings from November 10, 1926. It forms a connecting link between old Seaboard mileage and new west coast lines.

Several short lines of road were acquired by purchase in 1925, 1926, and 1927.

Plans were announced in February, 1926, to acquire by various means mileage to connect the Florida lines directly with the east-west lines Atlanta-Birmingham and Savannah-Montgomery, opening new gateways to the west via Perry, Fla., Albany, Ga., Montgomery and Birmingham, Ala., also new short lines via Macon, Atlanta to Jacksonville and Atlanta to Savannah.

In connection with these plans, involving additions of about 637 miles to the system, an offer was made in a letter to stockholders to subscribe to stock of the Investment & Securities Co. of Florida which Company had acquired approximately 86,000 acres of lands in territory to be served. Of 500,000 no par value shares authorized, 304,753 were offered stockholders at \$25 in the ratio of one share for each two shares common or preferred stock of the Seaboard Air Line Ry. First payment was \$10 and the balance was payable in from one to ten years; subscription right was twice extended, finally expiring July 1, 1926. An additional 20,000 shares were offered officials and employees of the company. Cost of the land was \$7,500,000, exclusive of working capital.

GENERAL.

In 1923 a ten-year loan of \$6,759,000 at 6% from the Government was arranged, \$4,000,000 of which was for retirement of maturing obligations. In final settlement for federal control, effected 1923, the Seaboard was permitted to fund additions and betterments made during the period in the amount of \$2,000,000, for which the company gave its 6% note to the Government, due 1930. In addition to the cash thus received the company secured payments aggregating \$1,400,188 in final settlements for the guaranty and federal control periods. Total owing to the Government at 6% was \$16,443,888 on December 31, 1927.

As to interest in Richmond-Washington Company, see Richmond, Fredericksburg & Potomac R. R.

Of the \$2,040,000 of capital stock of the Macon, Dublin & Savannah R. R. (94 miles) \$940,000 is owned by the Seaboard Air Line Ry., which company guarantees the \$1,529,000 outstanding 5% bonds of that company; also \$185,000 bonds of the Savannah & Statesboro R. R., \$550,000 bonds of the Raleigh & Charleston R. R., \$1,184,000 Tampa & Gulf Coast R. R. First Mortgage 5% bonds (leased January 1, 1927), \$425,000 Tavares & Gulf R. R. First Mortgage bonds, \$100,000 Athens Terminal Co. bonds, \$925,000 Baltimore Steam Packet Co. notes, \$1,000,000 Georgia & Alabama First Mortgage bonds, \$450,000 Jacksonville, Gainesville & Gulf Ry. First Mortgage bonds, and \$2,905,000 Seaboard Bay Line notes, in addition to other obligations of which a proportion was guaranteed.

The Seaboard Air Line Ry. owns the Baltimore Steam Packet Co. which has no indebtedness of any kind (\$400,000 stock carried at a book value of \$800,229). Dividends of \$530,000 in 1927, \$350,000 in 1926 and \$150,000 in 1925 were paid to the Seaboard. In 1920 the railroad sold its \$210,000 stock of the Old Dominion Steamship Co. for \$525,000.

In February, 1922, the Seaboard-Bay Line Co. was organized with authorized capital of \$5,000,000 of which \$1,500,000 was subscribed by the Seaboard Air Line Ry. Co. and the Baltimore Steam Packet Co. Purpose is to provide new and rebuilt equipment for both companies.

As of December 31, 1927, main track (4,306 miles) contained rails as follows:

630 miles of 100-pound rail	99 miles of 80-pound rail,
823 " " 90- " "	994 " " 75- " "
461 " " 85- " "	1,300 " " lighter weights.

Second track (60 miles) contained:

24 miles of 100-pound rail,	20 miles of 85-pound rail,
14 " " 90- " "	2 " " 75- " "

Installation of automatic block signals was completed in 1926 between Richmond, Va., and Hamlet, N. C., 253 miles, and early in 1927 between Savannah, Ga., and Jacksonville, Fla., 136 miles. During 1927 also 95 miles from Baldwin to Coleman, Fla., were equipped with automatic signals, and early in 1928 501 miles of main line were so protected.

The balance sheet as of December 31, 1927, showed Current Assets of \$14,400,740 (including \$5,558,179 Material and Supplies), and Current Liabilities of \$12,044,516 (including \$1,050,000 Loans and Bills Payable). The credit balance to Profit and Loss was \$7,679,764 and Appropriated Surplus \$626,733. In 1927, \$6,209,198 Debt Discount was charged off from Profit and Loss. Unpaid interest on the Adjustment Mortgage bonds, amounting to \$3,333,333, was not included in Liabilities.

SOUTHERN RY.

See Table, page 136.

The preferred stock is limited to 5% non-cumulative dividends. The company may at any time exercise the charter right to redeem the preferred stock in cash at par.

From January 1, 1897, to January 1, 1908, twenty dividends were paid on the preferred stock, to an aggregate amount of \$23,315,904. In 1907, 4% was paid against 5% for each of the years 1902 to 1906 inclusive. No dividends were paid during 1908, 1909 and 1910. Payments were 2% in 1911, 4½% in 1912, and 5% in 1913. In April, 1914, 2½% was paid; in October, 1914, 2% was paid in 5% interest bearing scrip. In April, 1915, the dividend was passed and payments were not resumed until in November, 1917, 2½% was paid. The 5% per annum was maintained to and including December, 1920. In June, 1921, the dividend was deferred. It was resumed with a payment of 2½% in November, 1922. With a payment of 1¼% in July, 1924, the preferred stock was placed on a quarterly dividend basis.

Dividends were inaugurated at the rate of 5% on the common stock with a quarterly payment May 1, 1924. The rate was raised to 7% on February 1, 1926, and again to 8% on February 1, 1928.

Suit brought by preferred stockholders for about \$29,000,000 representing dividends earned prior to 1923 and not paid was denied by a Virginia court in June, 1925. The court held that the phrase "non-cumulative," with other provisions and the language used, left dividend payments from year to year to discretion of directors. Application to appeal the decision was granted in November, 1926. In January, 1928, the Supreme Court of Appeals of Virginia rendered a decision upholding the lower court. A second suit was brought in January, 1926, in which the court was asked to enjoin the company from paying higher dividends on the common than on the preferred stock. Injunction was denied by the court in September, 1926.

Stockholders in November, 1926, authorized \$30,000,000 additional common stock. As of December 28, 1926, \$10,000,000 was offered to preferred and common stockholders for subscription at 100 at the rate of 18% of holdings. Part payment was allowed if desired of 20% at that date and 40% each on August 1 and November 1, 1927. Proceeds were to apply on 1927 capital requirements.

OWNERSHIP OF SECURITIES OF OTHER COMPANIES.

On December 31, 1927, the Southern Ry. owned securities of other companies operated separately, chiefly the following:

	Total Out- standing	Owned by Southern Ry.	Book Value
Ala. Gt. South. pfd.	\$3,380,350	\$1,725,000	\$1,924,375
Ala. Gt. South. ord.	7,830,000	4,605,550	5,256,450
Chic., Ind. & Lou. pfd.	5,000,000	*1,936,700	.....
Chic., Ind. & Lou. com.	10,500,000	*4,903,450	5,873,000
Geo. So. & Fla. 1st pfd.....	684,000	177,700	177,700
Geo. So. & Fla. 2d pfd.....	1,084,000	558,700	100,481
Geo. So. & Fla. com.....	2,000,000	1,882,400	1
G. S. & F. 1st Cons. 4% bonds.	2,000,000	2,000,000	1,800,000
Mobile & Ohio com.	†6,020,600	†5,670,200	5,670,200
M. & O. Gen. Mtge. 4% bonds	9,471,000	8,356,500	8,356,500
N. O. & Northeast. stk.....	6,000,000	5,969,600	5,931,666
Chesapeake S. S. Co. stk.....	600,000	400,000	1
S. W. Construc. Co. stk.....	2,049,300	‡323,500	767,835

*The Louisville & Nashville R. R. owns an equal amount of stock. To acquire this stock these companies issued \$11,827,000 4% 50-year joint bonds, secured by \$3,873,400 preferred stock, and \$9,796,900 common stock of the Chicago, Indianapolis & Louisville Ry.

†Controlled through ownership of stock and bonds purchased in 1901. See Mobile & Ohio R. R. The Southern Ry. formerly received about \$226,808 dividends on Mobile & Ohio R. R. stock owned, and paid out \$226,008 dividends on its Mobile & Ohio R. R. stock trust certificates. Dividends on Mobile & Ohio stock are now 7% as against a former rate of 4%.

‡Alabama Great Southern R. R. owns \$975,100 and the Baltimore & Ohio R. R. owns \$750,600. The Southwestern Construction Co. owns about 68% of the common stock of Cincinnati, New Orleans & Texas Pacific Ry.

The National Investment Co., entire \$54,000 stock owned by Southern Ry., owns \$41,900 Mobile & Ohio R. R. stock, \$4,700 Southern Ry. common stock, and \$600 Southwestern Construction Co. stock.

As of December 31, 1927, Southern Ry. owned securities of affiliated companies, carried on the balance sheet at \$66,191,604, including \$34,848,779 stocks and \$23,015,148 bonds. A total \$53,223,075 par value of securities other than muniments of title are pledged under the First Consolidated or Development and General Mortgages.

Stocks of active affiliated companies of \$45,162,033 (\$10,282,583 unpledged) par value were owned, carried at \$31,671,088 (\$10,358,894 unpledged) book value.

The Alabama Great Southern R. R., the New Orleans & Northeastern R. R., the Cincinnati, New Orleans & Texas Pacific Ry., the Mobile & Ohio R. R., and the Georgia Southern & Florida Ry.

are operated separately. The five roads operated in 1927, 2,420 miles of road.

With various railroad companies, the Southern Ry. guarantees, in most cases jointly and severally and both as to principal and interest, bonds of various terminal, station and bridge properties, including the \$14,000,000 4% bonds due 1953 of New Orleans Terminal Co., which are now guaranteed solely by Southern Ry., to the total amount of about \$45,954,000. The Southern Ry.'s proportion of these guaranteed bonds amounted to about \$21,973,000.

BONDS.

In 1906, the Development and General Mortgage was authorized to secure \$200,000,000 50-year 4% bonds. Under this mortgage \$15,000,000 bonds were issued immediately and \$185,000,000 were reserved for specific purposes, including \$99,834,000 to provide for future acquisitions and betterments, and \$65,166,000 to retire existing bonds and equipment obligations. To December 31, 1927, there had been issued under this new mortgage bonds to the amount of \$148,852,000, of which \$111,333,000 were outstanding in the hands of the public. There remained in the treasury unpledged on December 31, 1927, \$37,519,000 of these bonds. A part of the proceeds from the sale of bonds issued under this mortgage in 1908-9 was used to pay off \$16,000,000 notes, which matured April 1, 1909.

From 1913 to 1922 financing was largely effected by short-term 5% and 6% note issues. To meet the maturity of \$25,000,000 6% notes on March 1, 1922, there were sold \$30,000,000 Development and General Mortgage bonds, due 1956. These bonds bear interest at 6½%, although only 4% is secured under the mortgage by its limitation. The additional 2½% is a direct obligation of the company and a supplemental indenture provides that any new mortgage created subject to the Development and General Mortgage shall equally secure the 2½% additional interest.

In November, 1923, \$20,000,000 Development and General Mortgage bonds, bearing 6% interest of which 2% is similarly secured by supplemental indenture, were sold. Proceeds were used for additions and betterments. It was estimated that savings thereby effected in operating cost would be equivalent to a return of 20% on the investment, as contrasted with cost of about 6½% to the company of the money required.

On June 2, 1914, \$20,000,000 First Mortgage bonds due 1944 were authorized by the Atlanta & Charlotte Ry. (leased) for double tracking, etc., and \$5,500,000 at 4½% and \$14,500,000 at 5% were issued.

VALUATION.

A tentative valuation of \$349,066,622 for total used physical properties (\$250,342,174 for total owned) as of June 30, 1916, was

found for the company and leased lines. This did not include Southern Ry.'s interest in Alabama Great Southern R. R., Cincinnati, New Orleans & Texas Pacific Ry., Chicago, Indianapolis & Louisville Ry., Georgia Southern & Florida Ry., Mobile & Ohio R. R., New Orleans & Northeastern R. R., Virginia & Southwestern Ry. and others, the book value of Southern Ry.'s investment in which was \$89,700,000 in 1925. The following calculation was based upon a statement made by the company:

Tentative valuation figure	\$349,066,622
Property additions 1916-1924	114,500,000
Investments at book value.....	89,700,000
Excess actual working capital over amount allowed in valuation	13,399,830
Total	\$566,666,452

The company claimed that, in recognition of reduced dollar purchasing power, the tentative valuation figure, based on 1914 unit prices, should be increased by not less than 70%, or \$244,346,635; also that \$68,714,416, deducted for depreciation in arriving at the tentative valuation figure, should be restored, on the ground that no depreciation is suffered by a properly maintained railroad. In 1925 the assets of Southern Ry. were carried at \$625,468,723 on the balance sheet.

MISCELLANEOUS.

Charges to Profit and Loss for net discount on securities sold have been as follows in recent years:

1908-9	\$3,721,714	1915-16	\$168,497
1909-10	3,098,269	1918	301,728
1910-11	3,125,815	1919	608,959
1911-12	1,716,680	1921	1,190,749
1912-13	110,350	1922	2,913,455
1913-14	168,497	1923	1,845,307
1914-15	425,293	1924	544,061
1925-27	None		

In 1921 there were also charged to Profit and Loss \$4,577,196 for Securities Written Down and \$1,610,384 for Accounts Written Off. In 1923 there were similarly charged \$1,613,404 for Securities and Accounts Written Off and \$1,186,125 Appropriated for Non-productive Capital Charges required by Public Authorities.

The 6,263 miles of main and 794 miles of second and additional main track maintained by the Southern Ry. December 31, 1927, contained:

1,296 miles of 100-pound steel,	86 miles of 70-pound steel,
3,232 " " 85- " "	84 " " 65-68- " "
967 " " 80- " "	411 " " 60-62- " "
733 " " 75- " "	248 " " 56- " and lighter.

With the completion of work in 1927 all of the fast passenger and high train density lines of Southern Ry. are equipped with automatic train control as well as electric block signals.

As of June 30, 1895, only 204 miles of road contained rail of 75 to 80-pound steel. The balance was largely 62-pound steel and lighter weights.

On December 31, 1927, Current Assets were \$62,860,564 (including \$41,505,556 Cash or U. S. Government Securities and \$10,768,775 Material and Supplies) and Current Liabilities were \$21,722,962 (not including \$5,596,400 Dividend Reserves, \$4,160,334 liability for Taxes, etc.). Credit balance to Profit and Loss was \$105,849,240 and Appropriated Surplus \$3,095,178.

Raw cotton constituted 1.89% of total tonnage of Southern Ry. in 1927 and 1.73% of total in 1926 when the cotton crop was of unprecedented size. In southern cotton mills, 502,210 new spindles were installed in 1927, bringing the total to 18,299,832, with which 73% of the cotton used in mills in the United States was spun.

Following are the percentages of increase, 1927 over 1895, in the various classifications of freight traffic, on the basis of tons per mile of road:

Prods. of Agric. and Animals.....	116%
Prods. of Forests.....	534
Prods. of Mines.....	433
Manufactures and Misc.	385

HISTORICAL REVIEW.

In June, 1922, a pamphlet was distributed to stockholders, etc., pointing out the growth of the Southern Railway System, 1911-1920. Some of the facts presented may be summarized as follows:

I. TRAFFIC DENSITY.

	1920	1911	Percent
	<i>(Per mile of road)</i>		<i>Increase</i>
Southern Railway proper:			
Revenue Tons Handled	6,156	3,693	66.69%
Ton Miles	1,181,109	572,132	106.43%
Passengers Carried	3,143	2,493	26.07%
Passenger Miles	176,255	108,191	62.91%
*Cincinnati-New Orleans Lines:			
Revenue Tons Handled	18,800	12,482	50.62%
Ton Miles	3,404,611	2,095,073	62.51%
Passengers Carried	4,655	3,405	36.71%
Passenger Miles	323,148	193,055	67.39%
Georgia Southern and Florida:			
Revenue Tons Handled	4,351	2,504	73.76%
Ton Miles	702,426	314,401	123.41%
Passengers Carried	2,005	2,187	8.32%
Passenger Miles	123,111	91,422	34.66%

	1920	1911	Percent
Southern Railway System:	(Per mile of road)		Increase
Revenue Tons Handled	7,377	4,528	62.92%
Ton Miles	1,387,884	714,425	94.27%
Passengers Carried	3,244	2,571	26.18%
Passenger Miles	188,863	116,006	62.80%
*Cincinnati, New Orleans & Texas Pacific, Alabama Great Southern, and New Orleans & Northeastern (together forming the line from Cincinnati to New Orleans).			

II. ENLARGEMENT OF FACILITIES, ETC.

	1920	1911	Percent
			Increase
Double track (miles)	1,021	443	130.47
Weight of rail (% of total):			
85-pound	48.32	15.23	217.27
80-pound	16.01	22.98	†30.33
75-pound	13.84	19.92	†30.53
70-pound	2.08	3.16	†34.18
Lighter weights	19.75	38.71	†48.98
Locomotives	2,347	2,044 (a)	14.82
Freight cars	71,184	74,326 (b)	†4.23
Average train load (tons)	500	274	82.48
Fuel consumption (Tons per million ton and pass. miles)	402	564	†28.73

	1920	1911	Percent
			Increase
Investment account	\$427,643,380	(c) \$384,008,914	11.37
Funded debt	252,933,500	(c) 259,516,800	†2.54

†Decrease. (a) Increase in tractive power was 40.61%. (b) Combined loading capacity increased 2.54%. (c) Figures for June 30, 1911. These comparisons (Southern Ry. proper) were not made in the pamphlet here considered.

III. GROWTH OF THE SOUTH.

Percentage of increase 1920 over 1910 is shown in industrial lines as follows (Southern States compared with the United States as a whole) :

	South	U. S.
Coal mined	69.78	28.72
Pig iron produced	41.98	35.87
Active cotton spindles	44.75	23.87
Cotton used in manufacturing	53.46	42.69

VIRGINIAN RY.

See Table, page 137.

This company was incorporated in 1904 by the late H. H. Rogers and associates, as the Tidewater Ry. The Virginian Ry. succeeded the Tidewater Ry. in 1907; the Deepwater Ry. was acquired by deed dated 1907. The company operates a low grade line from Deepwater, W. Va., via Roanoke and Norfolk to tidewater at Sewall's Point, Va. (441 miles), with various branches (total mileage December 31, 1927, 545 miles). This railroad affords a route to tidewater for coal from the extensive Pocahontas, New River and Kanawha gas coal fields and from other coal fields, situated largely in Raleigh and Fayette Counties, W. Va. The company operates a large mileage through these coal fields. A connection with Norfolk & Western Ry. at Matoaka, W. Va., was developed during 1925 making possible a movement of Virginian coal traffic westward to the Lakes and Northwest.

PROPOSED LEASE TO N. & W.

Stockholders of Virginian Ry. and Norfolk & Western Ry. in May, 1925, approved a proposal to lease the property of the former to the latter road at a rental equal to 6% on both classes of Virginian Ry. stock. Approval of the lease, however, was refused by the Interstate Commerce Commission in October, 1926.

FINANCING.

To finance in part the cost of this enterprise, \$10,000,000 6% notes of the Tidewater Co. (the construction company) were issued in 1907. Upon maturity in 1909 most of the notes were exchanged for a new issue, due June 1, 1913, in total amounting to \$17,000,000. These latter notes were called for payment in 1912.

In 1912 a new First Mortgage was created in amount of \$75,000,000 under which \$32,844,000 5% bonds due 1962 were issued and sold in 1912. In 1923, \$5,000,000 and in June, 1924, \$10,000,000 additional were sold, proceeds of the latter issue in part being applied to repayment of \$4,500,000 Government loans. In August, 1925, an additional \$7,500,000 bonds were sold for general capital purposes. These bonds are secured by a first mortgage on the entire property and in 1927 were listed as "legal" for New York and Connecticut. The remaining bonds are reserved for acquisition of property, etc., under careful restriction.

Also in 1912, \$27,779,000 cumulative 5% preferred stock was issued (\$27,955,000 outstanding December 31, 1927) at par in exchange for the following obligations: \$9,800,000 First Mortgage 5% bonds (cancelled), \$3,000,000 Virginian Terminal Ry. 5% bonds (acquired and pledged under new Virginian Ry. First Mortgage), \$4,424,000 equipment acquired during the year, \$787,500 for redemption of \$750,000 equipment notes, \$923,100 in pay-

ment of floating indebtedness, \$8,844,400 for interest on bonds, notes, floating indebtedness, etc.

DIVIDENDS, ETC.

In January, 1917, authorized preferred stock was increased from \$29,000,000 to \$35,000,000 and authorized common stock from \$36,000,000 to \$40,000,000.

A dividend of 7% was paid on the preferred stock in 1917; one of 6% in 1921, and a dividend of 8¼% in 1922, all on account of accrued dividends from May 1, 1912. Accrued dividends on the preferred stock July 31, 1922, amounted to \$8,386,550, or \$30 a share. In August, 1922, agreement was reached with stockholders to discharge this accumulation at the rate of \$279,550 annually by increasing the dividend rate from 5% to 6%. It was stated that this method was considered preferable to funding the accumulation, which would add approximately \$500,000 to annual interest charges. Beginning February 1, 1923, 3% semi-annually has been regularly paid.

An initial dividend of 4% was paid on the common stock December 31, 1923. Likewise on December 31, 4% was paid in 1924, 6% in 1925, and 7% in 1926 and 1927.

In May, 1927, a private offering at 158 was made of \$500,000 common stock and in June at 165 of \$1,000,000 or a total of nearly half the stock. In August, 1927, 500 shares of common in voting trust were offered at 178 and 500 shares undeposited at 188.

GENERAL

The Virginian Terminal Ry., the \$499,000 stock and \$7,390,000 First Mortgage 5% guaranteed bonds of which are owned by the Virginian Ry., owns and operates terminal properties located at Sewall's Point, near Norfolk, Va., on Hampton Roads. The terminals consist of 600 acres of land, having a waterfront of 3,200 feet, with electrically equipped coal-loading piers, etc.

The line of the railway was so constructed that one locomotive would haul 80 loaded 50-ton coal cars (cars and contents weighing 6,000 tons) from the coal fields to tidewater, except for one nine-mile section. The average haul per ton of freight was 319 miles in 1925 and 252 miles in 1927 (Norfolk & Western Ry., 274 miles). For a part of the haul (Clarks Gap to Roanoke) one electric locomotive is now moving a 9,000-ton train. From Mullens over Clarks Gap a 6,000-ton train is hauled with two electric locomotives.

In May, 1923, a contract for electrification of about 134 miles of main line (231 miles all track) over the Alleghany mountains (between Roanoke and Mullens) was let, total cost to approximate \$15,000,000. A 50,000 k. w. steam generating plant was constructed. Plant, etc., has capacity for handling 12,500,000 tons

of coal annually. Twelve locomotives were ordered, capable of handling an annual 8,000,000 tons. The entire work was finished in July, 1926. The scheme of electrification is susceptible of indefinite expansion.

In 1920 the Virginian Ry. exchanged \$1,610,000 of its First Mortgage 5% bonds for the entire capital stock (8,000 shares) of the Loup Creek Colliery Co., from which it had for some years obtained its fuel supply.

On December 31, 1927, there were 107 coal mines (not including wagon mines) operating on lines of the Virginian Ry. of which 55 were served jointly with the Chesapeake & Ohio Ry. and one jointly with the Norfolk & Western Ry.

As of December 31, 1927, main and second track contained 88 miles of 130-pound rail, 362 miles of 100-pound rail and 24 miles of 85-pound rail.

Branches contained 24 miles of 100-pound rail, 56 miles of 85-pound rail, and 1 mile of 75-pound rail.

The railway was placed on an operating basis July 1, 1909. Earnings have steadily increased since that date. The increase in freight traffic is indicated in the following table:

	Revenue from Freight Traffic	Tons of Freight Handled	% Bituminous Coal to total Tonnage	New Industries Established
1909-10	\$1,739,188	1,434,988	64	152
1910-11	3,307,017	2,713,135	79	34
1911-12	4,436,402	3,641,011	85	72
1912-13	5,350,848	4,410,622	85	63
1913-14	5,790,645	4,776,663	86	45
1914-15	5,070,491	4,088,609	88	33
1915-16	6,497,994	5,261,634	90	37
1917	9,064,503	7,096,532	90	39
1918	10,478,630	6,866,089	92	..
1919	10,268,428	5,983,824	91	..
1920	15,737,818	7,784,517	92	34
1921	15,681,361	6,376,648	89	10
1922	16,956,023	7,397,025	89	9
1923	18,093,633	8,399,933	88	22
1924	16,873,194	7,843,521	88	9
1925	16,876,047	8,679,007	90	9
1926	21,282,110	12,029,525	92	11
1927	20,095,080	12,354,625	92	14

On December 31, 1927, Current Assets were \$8,044,599, including \$2,288,537 Material and Supplies, and Current Liabilities were \$2,202,914. Credit balance to Profit and Loss was \$24,720,471 and Total Corporate Surplus \$25,566,316.

WESTERN MARYLAND RY.

See Table, page 138.

The first preferred stock is entitled to cumulative dividends from July 1, 1918, at the rate of 7% per annum. The second preferred stock is entitled to 4% per annum not cumulative, is redeemable at 100, and convertible into common stock at par. No dividends have been paid.

FINANCING IN 1927.

The sale of First & Refunding Mortgage bonds for the first time since the mortgage was created in the readjustment of 1916 was effected in June, 1927, when \$12,000,000 Series A due 1977 bearing 5½% interest were sold at 96½ to bankers. Proceeds were used primarily to redeem \$5,800,000 7% and \$5,022,400 6% notes. During the preceding ten years, capital expenditures were stated to have been \$27,164,024, including for a grain elevator, a coal pier, new equipment, shops, double track, etc., as against a reduction of approximately \$280,000 in annual fixed charges, giving effect to this financing.

STOCK BOUGHT BY B. & O. R. R.

In February, 1927, the Baltimore & Ohio R. R. announced the purchase of Western Maryland Ry. stock including about 144,000 shares of first preferred bought from the Rockefeller interests. At the same time, but with New York Central and "Nickel Plate," stock of Wheeling & Lake Erie Ry. was acquired. At the close of 1927 the holdings of Baltimore & Ohio R. R. were 144,789 first (cost \$87.71 per share) and 8,000 second (cost \$26.47 per share) preferred, and 159,050 common (cost \$22.79 per share) shares. Sale by the Alien Property Custodian of 19,070 first preferred and 55,000 common shares for \$4,010,000 was reported. Holdings by B. & O. were 40.41% of total stock. No closer relation was contemplated by B. & O. but the company pointed out that 40% of all Western Maryland traffic was interchanged with it.

HISTORY OF COMPANY.

The operations of Western Maryland R. R. until 1902 were in a local territory in Maryland and southeastern Pennsylvania. In that year and later the company purchased stock control of West Virginia Central & Pittsburgh Ry., operating railroads and owning over 135,000 acres of coal lands in West Virginia. The Piedmont & Cumberland Ry. was also purchased. Thereafter a connecting line between the Western Maryland R. R. and the West Virginia Central & Pittsburgh Ry. was constructed, and tide-water terminals at Baltimore were acquired and constructed.

The properties known as the Weaver coal operations, lying adjacent to the then western terminus of the railway at Belington,

and a reserve of about 25,000 acres of Pittsburgh vein coal in the Fairmont territory of West Virginia, were acquired.

In 1908, a receiver was appointed for the Western Maryland R. R., which company was subsequently reorganized as the Western Maryland Ry. The interest on \$10,000,000 General Lien and Convertible 4% bonds was defaulted in April, 1908. Collateral loans due April 1, 1908, amounting to \$3,776,750, went to default, and the collateral, consisting of \$5,037,000 First Mortgage 4% bonds, was sold, being entirely or mostly purchased by a syndicate. Coupons on the \$42,518,000 First Mortgage 4% bonds and the various underlying bonds were regularly paid.

Reorganization was effected in 1910, the Western Maryland Ry. taking over the property, leaving undisturbed the \$42,518,000 First Mortgage bonds, \$7,859,300 divisional and leased line bonds and \$574,650 guaranteed stock.

The new company issued in acquisition of the property:

\$10,000,000 4% non-cumulative preferred stock, convertible at the option of the holder into common stock at par and redeemable at the option of the company at par; and \$23,959,560 common stock.

The holders of General Lien and Convertible 4% bonds received:

- (a) For principal, 100% (\$10,000,000) in 4% preferred stock.
- (b) For unpaid coupons, \$836,000 in common stock.
- (c) Privilege to subscribe for new common stock at \$40 per \$100 share to the extent of 50% of bondholdings.

The holders of the \$15,685,400 Western Maryland R. R. stock received 100% in new common stock on payment of 40% assessment.

CONNELLSVILLE EXTENSION.

The stockholders in 1910 authorized the sale at \$50 per \$100 share of the \$25,469,670 of unissued common stock to raise funds with which to build a line from Cumberland, Md., to Connellsville, Pa. The new stock was offered to all shareholders to the extent of 75% of their respective holdings of stock.

This extension consists of about 87 miles of road, extending the main line from Cumberland, Md., to Connellsville, Pa., where it connects with the eastern terminus of the Pittsburgh & Lake Erie R. R. (New York Central System). Upon completion of this connection in 1913, the Western Maryland Ry. had a direct through route from Pittsburgh to Baltimore, constituting the shortest line between these two points and furnishing the New York Central System an outlet to the Atlantic seaboard at Baltimore. Of the cost of the extension, approximately \$12,700,000 was raised by the sale of common stock as stated above.

The Western Maryland Ry. and the Pittsburgh & Lake Erie R. R. entered into an agreement for a period of 99 years establishing close traffic relations between the two companies.

1915 INTEREST DEFAULTED.

The Western Maryland Ry. in 1911-12 issued \$10,000,000 5% secured notes, due July 1, 1915. The proceeds of the notes were used to purchase additional equipment, terminals and yard facilities, etc., so as to enable the company economically to handle the additional traffic which it was expected would result upon completion of the Pittsburgh connection. An additional \$3,000,000 6% notes due July 1, 1915, were also outstanding. The interest due January 1, 1915, was defaulted on both note issues; likewise the principal was not paid at maturity.

READJUSTMENT IN 1916.

A plan for financial readjustment was approved November 17, 1916, and a new consolidated corporation was formed, acquiring all principal leased line companies. Disposition of coal properties was effected through lease to the Davis Coal & Coke Co. of mines located on the West Virginia Central Division, and sale to the Monongalia Coal Lands Co. (later merged into Davis Coal & Coke Co.) of coal reserves in Marion and Monongalia counties, West Virginia. \$16,000,000 face value of notes and \$1,739,500 deferred interest thereon were satisfied by issue of an equal amount of first preferred 7% stock cumulative from January 1, 1918. With each share of first preferred stock there was distributed \$22 in stock of the Davis Coal & Coke Co. and \$25 in stock of the Monongalia Coal Lands Co.

A First and Refunding Mortgage was created (authorized issue \$150,000,000) under which \$22,910,000 bonds had been issued to December 31, 1927, of which \$10,910,141 were held in the company's treasury. In 1927 there were sold \$12,000,000 of First & Refunding bonds bearing 5½% interest and \$10,822,800 notes were redeemed.

The First & Refunding bonds are limited to \$150,000,000 of which \$12,000,000 were outstanding and \$10,910,000 were in the treasury following the 1927 financing. The mortgage is a first lien on 119 miles including the Connellsville extension and on other property and a lien on the remaining 504 miles subject to \$48,256,900 prior liens including the \$46,565,866 First 4s due 1952.

GENERAL.

To refund \$5,800,000 8% notes August 1, 1924, a like amount of 7% notes were sold, due August 1, 1928, secured by pledge of \$8,700,000 First & Refunding 5% bonds, and convertible into First & Refunding 5% bonds at the rate of \$1,000 bonds for \$730 notes. The notes were redeemed at par August 1, 1927.

Main and second track on December 31, 1927, as compared with December 31, 1916, contained:

	1927	1916
90-pound rail	607 miles	519 miles
85- " "	59 "	34 "
80- " "	8 "	19 "
70- " "	35 "	84 "
60- " "	69 "	54 "
56- " "	13 "	31 "

As of December 31, 1927, the average weight of rail was 85.5 pounds, as compared with 78.4 pounds June 30, 1907.

On December 31, 1927, 53 miles were ballasted with stone, 614 miles with cinder and slag, and 125 miles were partly ballasted.

Of 20,825,003 tons carried in 1927 (21,569,785 in 1926), bituminous coal represented 13,729,972 (14,092,820 in 1926).

The balance sheet of December 31, 1927, showed Current Assets of \$6,891,880, including \$2,477,676 Material and Supplies, and Current Liabilities \$3,559,140. Credit to Profit and Loss was \$12,232,066.

WRIGHTSVILLE & TENNILLE R. R.

See Table, page 139.

The preferred stock is entitled to 6% non-cumulative dividends and to share pro rata with the common stock in further dividends paid in any year after 6% on the common stock. For many years prior to 1904-5 not less than 6% was paid on both classes. Dividends were 12% in 1904-5, 11% in 1905-6, 10% in 1906-7. From 1907-8 to December, 1914, inclusive, 6% was paid on both classes of stock. In June, 1915, the preferred dividend was omitted. In December, 1915, 3% was paid. In June, 1916, the dividend was again omitted. In December, 1916, 3%, and in December, 1917, 6% was paid. 3% was paid on both classes in 1918; 6% on preferred and 3% on common in 1919 and 1920. No dividends were paid in 1921, 1922, 1923, 1924 and 1925. In 1926, 18% was paid on the preferred stock including dividends out of 1924 and 1925 earnings, and 9% was paid on the common stock including 3% from surplus. In 1927, 6% was paid on the preferred stock only.

The Central of Georgia Ry. (Illinois Central system) owns all the preferred stock and a large amount of common stock. See that company.

On July 1, 1906, the Wrightsville & Tennille R. R. purchased the Dublin & Southwestern R. R., operating 28 miles from Dublin, Ga., to Eastman, Ga. This road was consolidated with the Wrightsville & Tennille R. R. in August, 1907.

To pay for the purchase of the Dublin & Southwestern R. R. and to pay for improvements, etc., the Wrightsville & Tennille R. R. in 1907 issued \$250,000 5% bonds, due January 1, 1958, and

increased the common capital stock from \$230,000 to \$530,000. \$100,000 of the bonds were sold in 1908 and \$100,000 in 1911, and the balance, \$50,000, have been retired.

A final valuation as of June 30, 1915, of \$1,532,000 has been placed on owned and used carrier property of the company.

Of 232,540 tons of freight handled in 1927, 82,590 were products of forests and 21,015 were fertilizers.

The balance sheet December 31, 1927, showed Current Assets of \$66,731 (including \$25,142 Material and Supplies), and Current Liabilities of \$31,989. There was a credit balance to Profit and Loss of \$193,976 and Total Corporate Surplus was \$218,447.

ALABAMA GREAT SOUTHERN R. R.

See Table, page 140.

On December 31, 1927, the Southern Ry. owned \$1,725,000 preferred and \$4,540,050 ordinary stock of the Alabama Great Southern R. R.

The preferred stock is entitled to 6% dividends cumulative for six years and participates equally with the common stock after 6% on the latter.

Dividends on the stock of \$50 par value have been paid as follows:

		'06-'07& '08-'09& '10-'11 to								
		'07-'08	'09-'10	'14-'15	'17-'20	'21	'22-'23	'24	'25	'26-'27
Pfd.	%...	6	6	6	7	6½	7	7½	7	13
Ord.	%...	0	2	5	7	6½	7	7½	7	13

An extra ½% was paid in 1924 to make up for the reduction in the 7% rate in 1921.

Extra dividends of 5% and 1% were paid with the semi-annual dividends of 3½% on the common stock in June and December, 1926, and on the preferred in August, 1926, and February, 1927. An extra 3% was paid on the ordinary stock in June and December, 1927 and June, 1928, and on the preferred in August, 1927, and February and August, 1928. With the August, 1928, payment on the preferred stock the regular dividend was increased to 8% annual rate.

In 1913-14, this company sold \$2,500,000 First Consolidated Mortgage 5% bonds due December 1, 1943. \$25,000,000 of these bonds are authorized and \$4,312,000 are outstanding.

Bonds under the First Mortgage, \$1,749,000 5s, and the General Mortgage, sterling 5% bonds equal at parity to \$3,457,890, matured on December 1, 1927. To retire them, \$5,206,000 First Consolidated Mortgage Series "B" 4s due 1943 were sold, the money costing the company 4.26%, a saving over the previous 5% bonds. The new bonds are legal for New York savings banks.

The Alabama Great Southern R. R. owns \$975,100 stock of the Southwestern Construction Co., partly received in exchange for

\$833,300 common stock of the Cincinnati, New Orleans & Texas Pacific Ry. This company controls the Cincinnati, New Orleans & Texas Pacific Ry. The S. W. C. stock is carried at \$1,187,800 book value. Dividends of \$319,345 were received from the stock in 1927.

The Alabama Great Southern R. R. jointly and severally with other companies guarantees, principal and interest, the bonds of the Chattanooga Station Co., the Birmingham Terminal Co. (several guaranty), and the interest on the bonds of the Meridian Terminal Co.

Freight tonnage in 1927 was 24% (1926, 28%) forest products and 22% (1926, 18%) bituminous coal.

Owned first main track December 31, 1927, contained 94 miles of 100-pound rail, and 199 miles of 85-pound rail; second track contained 35 miles of 100-pound rail, and 61 miles of 85-pound rail.

On December 31, 1927, Current Assets were \$5,913,796 (including \$661,513 Material and Supplies) and Current Liabilities were \$2,060,546. Credit balance to Profit and Loss was \$13,796,140 and Corporate Surplus \$13,835,475.

ALABAMA, TENNESSEE & NORTHERN R. R.

See Table, page 141.

This company was organized in 1918 to succeed the Railway Co. of the same name whose property was sold under foreclosure in that year.

A plan of reorganization put forward by the former bondholders' committee authorized issuance of \$3,500,000 Prior Lien bonds, \$2,116,000 General Lien bonds, income for five years, \$1,700,000 6% preferred stock cumulative from January 1, 1924, and \$2,500,000 common stock, held in voting trust.

Of the Prior Liens \$1,525,860 6% bonds due 1948 had been issued to December 31, 1927, of which \$116,000 were owned and pledged under equipment notes. Most of the bonds outstanding were sold at 90 with a bonus of 15% in General Lien bonds, providing cash for purposes of reorganization. There were reserved \$1,400,000 bonds for proposed construction of extensions, 52 miles from Reform, Ala., to connect with the "Frisco," and 34 miles from Calvert to Mobile, Ala. Construction of the latter mileage was financed in 1927 and completed in 1928.

The \$2,116,000 General Lien 6% bonds, due 1948 (\$138,571 in company's treasury, unpledged) were issued for a like amount of defaulted bonds in reorganization. Interest at 6% was payable if earned to and including April 1, 1924 (at directors' discretion October, 1918-April, 1922); none paid. Thereafter interest became obligatory. In 1923, however, a majority of bondholders consented to accept a reduction from 6% to 2% beginning with

the April, 1924, interest payment for a period of ten years. During this time it was hoped to construct the above-mentioned extension through Fayette, Ala., to connect with the "Frisco" at Glenn Allen, whence a desirable coal tonnage could be obtained.

The St. Louis-San Francisco Ry. in 1927 completed an extension from Aberdeen, Miss., to Aliceville, Ala., near the northern terminus of the Alabama, Tennessee & Northern R. R. and a traffic contract was entered into between the two roads for joint handling of through traffic between all points on the "Frisco" lines and the Port of Mobile.

In July, 1927, \$1,000,000 Prior Lien 6% bonds were sold at 91½ to bankers. Proceeds were to pay for construction of 34 miles of line from Calvert to Mobile. A line was being built by the Frisco from its main line at Aberdeen, Miss., crossing the line of Alabama, Tennessee & Northern R. R. at Aliceville, Ala., and continuing to connect at Kimbrough, Ala., with a subsidiary line to Pensacola, Fla. A traffic agreement was entered into by the two companies covering business to and from Mobile. This agreement runs for ten years.

The Alabama, Tennessee & Northern R. R. extends from Calvert, Ala., northward to Reform, Ala., 221 miles, with 9 miles sidings. A terminal at Mobile with docks is owned into which 30 miles of trackage over Southern Ry. from Calvert was formerly operated by the company.

The balance sheet December 31, 1927, showed Current Assets \$844,353 (including \$105,026 Material and Supplies), and Current Liabilities \$236,128. Debit balance to Profit and Loss was \$8,199.

CINCINNATI, NEW ORLEANS & TEXAS PACIFIC RY.

See Table, page 142.

Dividends on the common stock were paid as follows (June and December) :

'06	'07-'10	'11	'12-'15	'16	'17	'18-'20	'21	'22-'25	'26-'27
5½%	5%	8%	11%	12%	6½%	13%	12%	13%	*11%

*Including 3% extra. These dividends applied to stock increased by 200% stock dividend.

In April, 1926, a 200% stock dividend was paid on the common stock. The \$5,980,000 stock distributed, it was pointed out, represented only a part of surplus earnings invested in owned property exclusive of investment in or valuation of the leased property. Use of the railroad's credit in sale of mortgage bonds had been limited to terminal improvements in Cincinnati. The company's earnings were largely devoted to purchase of equipment, construction of shops, etc., and double-tracking of 168 miles of road. It was stated that double-tracking of remaining main line was urgent.

A stock dividend, rather than a large cash distribution, was paid owing to the company's desire to conserve cash resources for capital purposes in event satisfactory arrangements were made regarding tenure of the leased property.

In 1901-2, \$2,000,000 of an authorized issue of \$3,000,000, 5% (non-voting) cumulative preferred stock was sold at par to stockholders, and in May, 1908, stockholders subscribed at par to \$453,400 additional preferred stock. Dividends are paid on this stock quarterly, beginning March.

Of the common stock of this company \$6,147,900, or 68.5%, is held by the Southwestern Construction Co. Of the \$2,049,300 stock of the latter company, the Baltimore & Ohio R. R. owns \$750,600, the Alabama Great Southern R. R. owns \$975,100, or 47.58%, and Southern Ry. owns \$323,500, or 15.79%. The Alabama, New Orleans, Texas and Pacific Junction Rys. Co. owned \$448,700 which was disposed of to Southern Ry. interests. (See Alabama & Vicksburg Ry. under Illinois Central R. R.) The Southwestern Construction Co. issued its stock in exchange for an equivalent amount of stock of the Cincinnati, New Orleans & Texas Pacific Ry.

TERMS OF LEASE.

The company operates, under lease, the Cincinnati Southern Ry., owned by the City of Cincinnati. In November, 1901, the City of Cincinnati approved contracts for the extension of the former lease, these contracts providing:

1. For the renewal of the lease for a period of sixty years from the termination of the then existing lease, October 12, 1906.

2. For the issuance of City bonds to the extent of \$2,500,000, the proceeds to be used for terminals and improvements; the railway company to pay as additional rental, interest on these bonds, and in addition 1% per annum as a sinking fund.

3. For a rental after the expiration of the then existing lease of \$1,050,000 per annum for twenty years, \$1,100,000 per annum for twenty years and \$1,200,000 for the last twenty years.

4. For the issuance by the company of at least \$2,000,000 additional stock, the proceeds to be invested in property to be used in the operation of the road and to be pledged under the mortgage to secure the rental.

In December, 1920, the Interstate Commerce Commission authorized the company to assume additional rental of interest and 1% sinking fund on \$3,500,000 City bonds, Series B, proceeds to be used for constructing a heavier bridge over the Ohio River at Cincinnati.

In March, 1924, similar authorization was given with regard to \$500,000 City bonds.

In 1926 the company submitted a proposal to re-lease the line for 99 years on a basis of \$1,250,000 and 2% of net profits an-

nually for 19 years beginning 1928, \$1,350,000 and 3% for 20 years beginning 1947, \$1,450,000 and 4% for 20 years beginning 1967, \$1,600,000 and 5% for 20 years beginning 1987, and \$1,700,000 and 6% to termination of the lease. Also to be included in the lease were interest and 1% sinking fund on bonds issued by the city for terminal improvements and the \$12,000 annual expense of trustees' organization. Beginning 1927 the payment under the old lease was \$1,100,000 without share in earnings. The proposal was approved by stockholders in September, 1927, and authorized on behalf of the City of Cincinnati in November, 1927.

GENERAL.

Appropriations have been charged to income for new and additional tracks, bridges, etc., as follows:

1905-6.....	\$440,826	1917.....	\$609,625
1906-7.....	115,000	1918.....	600,000
1907-8.....	340,000	1919.....	600,000
1908-9.....	678,475	1920.....	950,000
1909-10.....	1,475,959	1921.....	*186,849
1910-11.....	606,671	1922.....	*442,760
1911-12.....	579,342	1923.....	469,332
1912-13.....	1,024,649	1924.....	884,847
1913-14.....	1,324,564	1925.....	429,793
1914-15.....	799,942	1926.....	1,393,700
1915-16.....	1,004,291	1927.....	378,344

**Appropriated from Profit and Loss for "Additions and Betterments."*

Of freight tonnage in 1927, 24% was bituminous coal and 25% forest products.

As of December 31, 1927, Current Assets were \$21,568,710 (including \$16,843,254 Cash and U. S. Government Securities and \$2,634,200 Material and Supplies) and Current Liabilities were \$2,023,050. The credit balance to Profit and Loss was \$20,703,223, and Additions to Property since June 30, 1907, through Income and Surplus \$16,727,407.

GULF, MOBILE & NORTHERN R. R.

See Table, page 143.

The 6% preferred stock became cumulative January 1, 1920. An initial dividend of 1% was paid November 15, 1923, and a like amount on February 15, 1924. With the May, 1924, dividend the rate was increased to 5% and in February, 1925, to 6%. A dividend of 4¼% was paid January 1, 1926, of which ¾% represented an adjustment of the dividend to that date and 3½% applied to the accumulation which was thereby reduced to 20% as of January 1.

A dividend of 4% was paid January 3, 1927, of which 2½% applied to arrears, leaving 17½%. On January 3, 1928, 2½% was paid, 1% applying to arrears, leaving 16½% accumulated dividends.

Following reorganization of the New Orleans, Mobile & Chicago R. R. on January 1, 1917, the Gulf, Mobile & Northern R. R. (a consolidation of three corporations organized under the laws of Mississippi, Tennessee and Alabama) took over the property.

The main line extends from Mobile, Ala., to Jackson, Tenn. (409 miles), with a branch (25 miles) from McLain Jc., Miss., to Piave, Miss. The Gulf, Mobile & Northern controls the Meridian & Memphis Ry. (32 miles, Union, Miss., to Meridian, Miss.) which was acquired as of January 1, 1918, the Gulf, Mobile & Northern R. R. paying \$70,000 in notes due 1919, \$150,000 in preferred stock and \$150,000 in common stock for property, free of floating debt, but subject to \$260,000 notes, due July 1, 1919, and \$675,000 First Mortgage bonds. The road affords a valuable entry into Meridian, connecting with the G., M. & N. R. R. at Union. Net operating income of the Meridian & Memphis was \$53,529 in 1922 (deficit, \$25,134, 1921). This company has been operated by the G., M. & N. R. R. under lease since January 1, 1923.

In 1924 a majority of First Mortgage and Income bonds of the Birmingham & Northwestern Ry. was purchased and an option on a majority of the stock was secured. In 1925 the purchase was completed, the Gulf, Mobile & Northern R. R. now owning all of the \$400,000 First Mortgage 6s due 1927 and \$400,000 Income 4½s due 1947, and \$209,000 of the \$300,000 stock. In 1927 the property was leased. This road runs northwest 48½ miles from Jackson to Dyersburg, Tenn., and at Bells (17 miles) affords the G., M. & N. a connection with Louisville & Nashville R. R.

In August, 1924, 26 miles formerly leased to Mississippi Central R. R. as the Hattiesburg, Miss., branch, were sold for \$335,000 to the Tatum Lumber Co.

Formerly the northern terminus was at Middleton, Tenn. The extension to Jackson, Tenn. (40 miles) was placed in operation September 3, 1919. Total cost of this project to December 31, 1922, was \$2,301,122. At Jackson, the G., M. & N. connects with Illinois Central R. R., Mobile & Ohio R. R. and Nashville, Chattanooga & St. Louis R. R.

During 1926, the G., M. & N. began the creation of a through route from the Ohio River to New Orleans. With trackage right from August 1, 1926, over the line of Nashville, Chattanooga & St. Louis Ry., freight operation was extended 145 miles, Jackson, Tenn., to Paducah, Ky., where traffic is interchanged with the "Burlington." The Jackson & Eastern Ry., 33 miles from Union on the line of the G., M. & N., was purchased for approximately \$500,000 and with construction completed in July, 1927, of 65 miles at cost of about \$2,500,000 was connected at Jackson, Miss., with the New Orleans Great Northern R. R. which operates

into New Orleans and with which an agreement was made for traffic interchange.

From January 1, 1917, to December 31, 1922, investment accounts increased \$5,472,330, while capital obligations increased \$2,455,500 (of which \$400,000 stock), cost of larger projects being as follows:

Construction of Jackson Extension.....	\$2,301,122
Construction of Blodgett Branch.....	681,211
Purchase of Meridian & Memphis Ry. Co.....	631,810
Ballast, decking trestles	182,291
Increasing weight of rail	52,401
Purchase heavier power	544,572
Rebuilding freight cars	498,899

In addition large sums expended in rehabilitation were charged to operating expenses. During receivership (prior to 1917) \$566,505 was spent on capital account.

From January 1, 1917, to December 31, 1927, Investment in Road and Equipment increased \$7,962,807, of which \$5,333,386 was credited to Road, \$2,361,044 to Equipment, and \$268,377 to General Expenses. There was charged Road account \$107,567 for the Ellisville branch, abandoned 1921, and \$475,384 for the Hattiesburg branch, sold 1924.

In October, 1920, the Gulf, Mobile & Northern R. R. executed its First Mortgage to secure \$15,000,000 bonds, of which \$4,000,000 have been issued. In March, 1925, these \$4,000,000 bonds, Series B 5½% due 1950 were sold at 96¾ to bankers. Proceeds retired all other outstanding indebtedness, principally 6% notes held by the Government. Property subject to the mortgage includes 438 miles of road including the main line 409 miles from Jackson to Mobile and very valuable water front property at Mobile. In January, 1927, \$3,000,000 Series C 5% bonds due 1950 were sold at 97¼ to bankers.

In June, 1927, the Interstate Commerce Commission fixed a valuation of \$10,715,065 on the property as of June 30, 1917, at prices current in 1914. The valuation covers only the main line between Mobile, Ala., and Middleton, Tenn. and does not reflect expenditures of more than \$8,000,000 made for improvement of road and equipment and construction of additional mileage since valuation date, nor does it include the value of subsidiary companies amounting to more than \$4,000,000.

MISCELLANEOUS.

Products of forests contributed 46.4% of total tonnage in 1927 (52.4% in 1926; 57.4% in 1925; 57.2% in 1924; 63.9% in 1923).

The balance sheet December 31, 1927, showed Current Assets \$2,583,488 (including \$746,096 Material and Supplies), and Current Liabilities \$1,018,394. Credit balance to Profit and Loss was \$4,613,736 and Surplus Appropriated for Investment in Physical Property \$228,847.

ILLINOIS CENTRAL R. R.

See Table, page 144.

Dividends at the rate of 7% per annum were paid from March, 1905, to March, 1913, inclusive. In September, 1913, the rate was reduced to 5% by the payment of 2½%. In 1916, the rate was raised to 6%. In 1917 1½% was paid quarterly beginning March and 1% extra was paid in December making 7% for the year. In subsequent years the regular rate has been 7%.

From January 1, 1850, to January 1, 1928, about \$285,000,000 had been distributed by the Illinois Central R. R. in common dividends. Since 1860 a dividend has been paid each year.

The company had 22,209 (including 6,420 preferred) stockholders as of December 31, 1927, as against 10,578 in 1917.

PREFERRED STOCK SOLD.

On April 19, 1922, an issue of \$50,000,000 preferred stock was authorized. This stock is entitled to non-cumulative dividends not exceeding 7%. In June, 1922, \$10,929,600, in October, 1923, \$10,952,100, and in December, 1925, \$11,933,700 Series A 6% preferred stock was subscribed for at par by common stockholders to the extent of 10% of holdings. During 1926, \$329,400 preferred stock not subscribed in 1925 was sold. This stock is convertible at par into common stock, and is redeemable at 115 after September 1, 1927. There was outstanding \$22,436,100 preferred stock on December 31, 1927, \$11,708,700 having been converted (\$3,736,700 in 1925, \$4,260,000 in 1926, and \$2,827,700 in 1927) into common stock.

Proceeds of these issues are applicable to electrification and enlargement of terminal facilities in the vicinity of Chicago, including purchase of additional land; all in compliance with a municipal ordinance passed July 21, 1919. This work was to be spread over a period of 18 years and additional stock was to be marketed as required.

Electrification of suburban train operations was completed in 1926. This improvement was found to stimulate residential development of suburbs with increase in passenger traffic.

REAL ESTATE DEVELOPMENTS.

In connection with terminal improvements in Chicago, there will become available 64 acres of useable space in the city between Chicago River and Randolph Street, and leasing of the air rights for construction of office buildings was considered in 1928. Court authority for the company to sell or transfer air rights on its property was given as result of a friendly suit in July, 1928. Of 24 city blocks, located near the "Loop", and owned by Illinois Central, the air rights covering two were leased in June, 1928, for 100 years for construction of the Apparel Manufacturers' Mart, the largest and tallest building in the world, to be completed in April, 1930.

The electrification of freight service north of Roosevelt Road was to be finished in February, 1930, and this would enable more active development of air rights over the tract.

COMMON STOCK SOLD.

In October, 1924, common stockholders received the right to purchase \$11,000,000 new common stock at par to the extent of 10% of holdings. Privilege expired December 10 and \$10,646,700 stock was subscribed and paid for. During 1925 the company sold \$357,900 common stock held in the treasury. This stock was part of \$14,256,000 authorized but undisposed of in 1908.

In May, 1908, stockholders were permitted to subscribe for \$14,256,000 new stock at par (15% of holdings), the proceeds to be used to reduce the company's floating debt.

Through the sale in 1901 and 1902 of its stock at par to stockholders, the Illinois Central R. R. received \$35,040,000 cash to be expended for betterments, equipment, second tracks, etc. The greater part of the road between Chicago and New Orleans was double tracked.

At June 30, 1900, there was outstanding \$60,000,000 stock, all common. All stock issued since has been for cash at par or better.

OWNERSHIP OF STOCK.

On December 31, 1927, the Union Pacific R. R. and the Railroad Securities Co. (entire stock owned by Union Pacific R. R.) together owned \$34,870,000 of common stock and \$9,827,000 of preferred stock of the Illinois Central R. R. The Union Pacific R. R. alone owned \$24,750,000 common stock and \$6,975,000 preferred stock.

ILLINOIS CENTRAL SYSTEM.

Formerly the Yazoo & Mississippi Valley R. R. was operated separately through the Mississippi Valley Co. Results of operation were not reported. This road (1,709 miles operated in 1927, including 330 miles of Alabama & Vicksburg Ry. and Vicksburg, Shreveport & Pacific Ry. leased) affords Illinois Central alternate mileage from Memphis to New Orleans (456 miles) together with extensive gathering lines in Mississippi. Beginning 1924 accounts of the Y. & M. V. were combined with those of Illinois Central, the two companies being designated Illinois Central System. Comparison with previous years may be in some respects misleading, therefore. Effect of merging accounts apparently was to increase credit balance to Profit and Loss by approximately \$7,200,000.

SUBSIDIARIES.

Par value of investments, mostly in subsidiary companies, owned by Illinois Central System December 31, 1927, was \$57,600,699 carried at \$51,757,428 book value. Total comprised \$33,430,253 stocks, in-

cluding \$19,998,500 Central of Georgia Ry. common, \$11,759,500 stock of Dubuque and Sioux City R. R. and 10,000 shares without par value of Madison Coal Corp. stock, \$24,170,446 bonds including \$8,266,000 guaranteed bonds of C., St. L. & N. O. R. R. (leased) and \$5,310,000 U. S. Government obligations. Income from all Investment Securities was \$2,426,420 in 1927 (\$2,429,655 in 1926; \$2,047,964 in 1925, \$1,894,383 in 1924) including \$1,199,910 Central of Georgia Ry. dividends and \$500,000 dividend from Madison Coal Corp. from which none was received in 1925. Capital advances to subsidiaries amounted to \$171,562,340 on December 31, 1927.

During 1908-9, the entire capital stock of the Central of Georgia Ry. (\$5,000,000), acquired in 1907 by E. H. Harriman, was turned over to the Illinois Central R. R. The cost of this stock to the Illinois Central R. R. was \$3,474,249. This acquisition gave the company direct control of 1,924 miles of main line; and the ownership of the Central of Georgia Ry. carried control of the Wrightsville & Tennille R. R. and Wadley Southern R. R. together operating about 200 miles of road additional; also of the Ocean Steamship Co. of Savannah, operating 8 vessels in service between Savannah and New York and Boston.

In 1911-12, \$3,823,000, \$6,844,000 and \$3,794,000, respectively, of first, second and third preference income bonds of the Central of Georgia Ry. were purchased. In 1912 these income bonds were cancelled and \$15,000,000 6% cumulative preferred stock issued. The preferred stock was held until 1923 when it was surrendered for cancellation, a like amount of common being received in exchange. Dividends of 6% on the preferred were regularly paid and 5% each year was paid on the Central of Georgia Ry. common stock from 1912-13. The common now receives 6%.

NEW ACQUISITIONS.

The entire \$7,013,100 stock of Gulf & Ship Island R. R. was acquired at a cost of \$5,000,000 as of July 2, 1925, by Mississippi Valley Co., a holding company entirely owned by Illinois Central R. R. Line of this railroad extends from a connection with Illinois Central at Jackson, Miss., to Gulfport, Miss., with branches Maxie to Mendenhall and Saratoga to Laurel, in all 307 miles. The road is separately operated. A considerable volume of business is contributed to system lines.

Under conditions imposed by the Interstate Commerce Commission designed to keep the lines open for traffic of other companies the Alabama & Vicksburg Ry. (141 miles) and Vicksburg, Shreveport & Pacific Ry. (189 miles) were leased to Yazoo & Mississippi Valley R. R. (Illinois Central System) under agreement dated March 31, 1925. Operation of the properties was assumed June 1, 1926. Rentals provide for 6% dividends on Alabama & Vicksburg Ry. stock and 5% dividends on Vicksburg, Shreveport & Pacific Ry. preferred and common stocks. Together these two roads

form the "Vicksburg Route," Shreveport, La., to Meridian, Miss., the shortest line between central Texas points, such as Fort Worth and Dallas, and points in southeastern states, such as Birmingham, Atlanta, Augusta, Montgomery, Charleston, Savannah and Jacksonville. The lines intersect Illinois Central System lines at Vicksburg and Jackson, Miss. A car ferry across the Mississippi River is owned and operated.

GENERAL.

A tentative valuation for system transportation property (lines owned in fee) of \$347,680,187 as of June 30, 1915, was reported in October, 1924, by the Interstate Commerce Commission. At the valuation date book value was \$367,905,584 and capitalization \$349,123,515.

Bituminous coal in 1927 was 35.7% (1926, 34.5%; 1925, 32.5%; 1924, 31.7%; 1923, 36.6%) of system freight tonnage.

The following amounts were appropriated from surplus earnings for betterments:

Year 1902-3.....	\$4,881,253	Year 1905-6.....	\$4,164,739
Year 1903-4.....	2,579,329	Year 1906-7.....	3,987,934
Year 1904-5.....	1,683,886	Year 1907-8.....	1,046,963

No amounts of comparable importance have been appropriated since.

By motor car Illinois Central R. R. carried 152,840 passengers an average journey of 17.95 miles in 1927 as compared with 72,177 an average of 17.65 miles in 1924.

Owned main track (5,873 miles, not including subsidiaries) on December 31, 1927, contained:

254 miles of 110-pound rail,	51 miles of 70-pound rail,
3,953 " " 90- " "	28 " " 62-67- " "
714 " " 85- " "	311 " " 60- " "
525 " " 75- " "	37 " " 56- " "

Construction of a new line, 169 miles, Edgewood, Ill., to Fulton, Ky., was begun in 1925 by subsidiaries. The portion of the line south of the Ohio River, between Maxon and Fulton, 40 miles, was opened for operation in 1927. The line north of the river at the close of 1927 was 95% laid with track, and the entire mileage was placed in service in May, 1928. It provides a low-grade line (maximum grade 0.3%) more economically handling north and south-bound traffic and relieving congestion over the Cairo bridge.

BONDS.

To pay for new equipment delivered during federal control, \$16,000,000 fifteen-year 5½% bonds were sold in 1919. The issue was secured with \$17,350,000 Illinois Central, C., St. L. & N. O. R. R.

Joint First Refunding 5s and \$4,550,000 Illinois Central Western Lines First 4s.

In April, 1927, \$17,350,000 I. C. and C., St. L. & N. O. Joint 4½% bonds, Series C, were sold at 95 to bankers and the \$16,000,000 secured 5½% bonds redeemed at 101 in July following.

In 1921, there were sold for general purposes \$8,000,000 fifteen-year 6½% bonds, secured by \$8,225,000 Refunding 4s and \$3,820,000 Ill. Cent.-C., St. L. & N. O. Jt. 5s.

In April, 1923, \$13,447,000 Refunding Mortgage bonds were sold, bearing interest at the rate of 5%, the additional 1% not provided for in the original mortgage being secured under a new supplemental indenture by lien on the property subject to the original mortgage. Proceeds were used to retire \$1,438,000 bonds maturing and a Government loan of \$3,848,000, and to reimburse the company for expenditures on improvements.

In February, 1924, \$11,604,000, and in June, 1925, \$7,094,000 Ill. Cent.-C., St. L. & N. O. Jt. 5s were sold to reimburse the Illinois Central R. R. for additions and betterments.

In September, 1926, \$35,000,000 40-year 4¾% bonds were sold at 93.65 to bankers, the proceeds to be devoted to construction of the 163-mile Edgewood Cutoff and other work including new terminal and shops at Paducah. The bonds are not secured by mortgage but indenture provides that if any new mortgage is created (except for refunding) the issue will be ratably secured under it.

Of \$290,458,345 Illinois Central System bonded debt outstanding December 31, 1927, exclusive of equipment trust obligations and leased line stock certificates, a total of \$180,148,000 matures in the years 1950 to 1955 inclusive.

MISCELLANEOUS.

Profit and Loss was debited \$1,391,520 in 1922, writing off \$1,338,000 Tennessee Central R. R. 4% bonds with accrued interest. This property was sold under foreclosure in 1922.

On December 31, 1927, Current Assets were \$42,074,183, including \$13,846,890 Material and Supplies, and Current Liabilities \$33,276,185. Credit balance to Profit and Loss was \$76,344,780, and Additions to Property through Income and Surplus, \$10,219,622.

ALABAMA & VICKSBURG RY.

Dividends were paid on the stock as follows (annually September) :

'97-'99	'00-'02	'03	'04-'14	'15	'16-'24
5%	6%	9%	7%	5%	7%

In April, 1925, a 5% cash dividend was paid, and in May 1925, a 100% stock dividend was distributed. On the increased stock

a 3% dividend was paid in October, 1925. A stock dividend of 50% was paid in 1900 also one of 100% in 1910.

In 1924 a First Mortgage in amount of \$6,000,000 due 1974 was created, and in April, 1924, \$2,500,000 5% bonds were sold, \$1,937,000 being for retirement of a like amount of 6% notes issued to take up maturing bonds in 1921, and proceeds from the balance for capital expenditures made prior to May 1, 1924.

FORMER CONTROL BY STERLING TRUST, LTD.

An English company, the Alabama, New Orleans, Texas & Pacific Junction Rys. Co., Ltd., controlled this company, also the Vicksburg, Shreveport & Pacific Ry., which see. In April, 1917, the Alabama, New Orleans, Texas & Pacific Junction Rys. Co., Ltd., was succeeded by the Sterling Trust, Ltd. The English company owned \$1,168,000 stock and \$468,900 6% notes, due 1926, of Alabama & Vicksburg Ry.; and \$2,773,500 common stock, \$2,080,100 preferred stock and \$1,000,000 General Mortgage bonds of the Vicksburg, Shreveport & Pacific Ry. In November, 1924, these stockholdings were sold to the public by New York bankers at prices of 72 and 57 for the Vicksburg, Shreveport & Pacific Ry. preferred and common stocks and 180 for the Alabama & Vicksburg stock.

Late in 1916 the English company sold to Southern Ry. interests securities of New Orleans & Northeastern R. R., also \$448,700 of \$3,000,000 stock of the Southwestern Construction Co., a holding company for Cincinnati, New Orleans & Texas Pacific Ry. stock.

The Alabama, New Orleans, Texas & Pacific Junction Rys., Ltd., had outstanding June 30, 1916, 150,000 and 250,000 shares (par £10) of preferred A and deferred B stock. At that date, 63,785 preferred A shares and 106,404 deferred B shares (over 42% of total) were owned jointly by the Southern Ry., Alabama Great Southern R. R., Cincinnati, New Orleans, & Texas Pacific Ry. and Mobile & Ohio R. R. The interest of the above companies in the English company was later disposed of.

MISCELLANEOUS.

Main track on December 31, 1925, contained:

40 miles of 90-pound steel, 102 miles of 75-pound steel.

In 1924 90-pound rail was adopted as standard for main line.

Of freight tonnage in 1925, 30% (1924, 28%) was lumber and 15% (1924, 14%) petroleum and other oils.

In 1889 the company acquired 131,189 acres of lands from the Vicksburg & Meridian R.R. To December 31, 1925, a total of 136,110 acres were sold and 360 remained unsold, including losses and additions to the land originally acquired. Proceeds amounted to \$459,944 and balance after expenses, etc., \$312,495, of which

\$289,317 was applied to redemption of Second Mortgage bonds and \$16,076 to payment of interest in 1892-93 on these bonds.

VICKSBURG, SHREVEPORT & PACIFIC RY.

The preferred stock has priority for dividends of 5% per annum, non-cumulative. Dividends were paid on both classes of stock as follows:

FOLLOWS:									
	'02-'07	'09-'14	'16-'20	'21	'22	'23	'24-'25	'26	
Pfd. %	5	5	5	2½	5	7½	5	5	
	'03	'04	'05	'13	'17	'18-'20	'23	'24-'25	'26
Com. %	2½	3	2	2	2¼	2½	2½	4	5

In November, 1924, \$2,773,500 common and \$2,080,100 preferred stock were purchased by bankers from English interests and publicly offered at 57 and 72 respectively. (See under Alabama & Vicksburg Ry.)

PHYSICAL.

The line of railroad is entirely within Louisiana, extending from the Texas boundary to the Mississippi River where by car ferry jointly owned with Alabama & Vicksburg Ry. connection is made with the latter.

As of December 31, 1925, the 171 miles of main track contained 42 miles of 90-pound steel, 129 miles of 75-pound steel, and 1 mile of 60-pound steel. The extension Shreveport to Lorraine, 17 miles, contained 2 miles of 75-pound rail and 15 miles of 56-pound rail. Mileage is over 90% ballasted with gravel.

This "Lorraine Extension," running from Shreveport west to the Texas state line, was formerly leased to the Missouri, Kansas & Texas Ry. Co. of Texas. At reorganization of the lessee company April 1, 1923, the mileage was surrendered to the V. S. & P. Ry.

BONDS.

On November 1, 1915, \$1,323,000 6% Prior Lien Mortgage bonds matured, and were extended at 5% to November, 1940.

As of November 1, 1923, a Refunding and Improvement Mortgage was created in amount of \$6,000,000 under which \$3,545,000 Series A 6% bonds due 1973 were issued; \$300,000 for additions and betterments were sold then by the company, and \$1,245,000 were exchanged for a like amount of General Mortgage 5% bonds. \$2,000,000 of the new bonds are reserved to retire the outstanding Prior Lien and General Mortgage bonds. In 1924, \$300,000 additional Refunding bonds were sold.

Of total tonnage carried in 1925 oil formed 41% (1924, 22%; 1923 and 1922, 19%; 1921, 30%) against 7% in 1919 before any considerable production had been attained in northern Louisiana, and lumber 18% (1924, 21%; 1923, 25%; 1922, 29%) of total tonnage.

LOUISIANA & ARKANSAS RY.

See Table, page 145.

On March 15, 1906, an initial semi-annual dividend of 1½% was paid on the capital stock. Dividends at a 3% rate per annum were maintained until 1909-10, in which year 2½% was paid. This rate was maintained during 1910-11; 1¼% was paid in September, 1911. No dividends have since been paid.

In 1903-4, the capital stock was increased by \$375,000, in 1904-5 by \$1,125,000, in 1908-9 by \$750,000, and in 1910-11 by \$500,000, making the present amount outstanding \$5,000,000.

A final valuation of \$7,748,150 as of June 30, 1917, has been placed on the total owned carrier property and \$7,957,449 on total used property of the company by the Interstate Commerce Commission.

This company operates 302 miles of railroad. The main line extends from Hope, Ark., via Packton, La., to Alexandria, La., 194 miles. An extension from Packton to Wildsville Jc., La. (53 miles) is owned. An additional 15 miles are leased from Missouri Pacific R. R. and 18 miles operated under trackage rights. Trackage connects with Missouri Pacific R. R. and Texas & Pacific Ry.

On September 1, 1907, an annual sinking fund of \$55,000 became operative, same to be used by the trustee to purchase First Mortgage 5% bonds at 110 or less. In 1913 the annual sinking fund charges were increased from \$55,000 to \$75,000. Bonds so purchased are kept alive in sinking fund. As of December 31, 1927, Sinking Fund Reserves amounted to \$2,601,000. To the close of 1926, the company had acquired through sinking fund operations \$2,538,000 bonds leaving \$2,658,000 bonds outstanding in the hands of the public. On September 1, 1927 the bonds matured and were paid off. The company borrowed \$2,600,000 from the Government for the purpose.

On December 31, 1927, Current Assets (including \$447,263 Material and Supplies) were \$1,843,002, and Current Liabilities were \$3,112,521, including Loans and Bills payable of \$2,600,000. This last item represents an unsecured promissory note to U. S. Government which the Interstate Commerce Commission in April, 1928 authorized the company to renew from time to time. The credit balance to Profit and Loss was \$4,553,855.

LOUISVILLE & NASHVILLE R. R.

See Table, page 146.

During recent years dividends have been paid as follows (semi-annually, February and August):

	'05-'07	'08-'09	'10-'14	'15	'16	'17-'22	'23	'24	'25	'26	'27-'28
% ..	6	*5½	†7	‡5	(a) 6	7	(b) 6	(c) 5½	6	(d) 6½	(e) 7

*Also in 1908 a dividend of 1% in stock of the Louisville Property Co. †Dividend increased to 7% February, 1910. ‡Rate cut to 5% per

annum, February, 1915. (a) Rate increased to 7%, August, 1916. (b) Rate reduced to 5% on stock increased by 62½% stock dividend. (c) Rate increased to 6% August, 1924. (d) Includes ½% extra dividend paid in August. (e) Rate increased to 7%, February, 1927.

In 1912-13 \$12,000,000 new stock was sold at par to stockholders on the basis of one share of new stock for each five shares held.

INCREASE IN CAPITAL STOCK.

A stock dividend of 62½% was paid in May, 1923, \$45,000,000 stock being distributed. The increased stock was placed upon a 5% dividend basis with the semi-annual dividend in August, equivalent to 8⅛% on the old stock. In August, 1924, the rate was increased to 6%. In August, 1926, ½% extra was paid with the regular 3% semi-annual dividend. With the February, 1927, semi-annual dividend the rate was made 7% regularly.

Stockholders in July, 1921, had authorized an increase in capital stock from \$72,000,000 to \$125,000,000, the additional \$53,000,000 stock to be issued as a stock dividend. It was stated that the First & Refunding Mortgage would ultimately involve issuing bonds which would raise the ratio of funded debt to stock above the existing ratio of 3 to 1 if the stock capitalization were not increased. The following is quoted from a letter to stockholders:

"Having reached this conclusion, the question arose as to whether the additional stock should be sold or distributed to the stockholders as a stock dividend. As bearing upon this question, the records of the Louisville and Nashville Railroad Company disclose the following facts:

"The Company's surplus as of December 31, 1920, stands at \$82,-985,890.11, and all discounts from the sale of bonds since 1902, aggregating approximately \$7,000,000, have been charged off to Profit and Loss. The annual amounts of surplus earned closed into Profit and Loss Account, less dividends paid, aggregate (speaking in round numbers) about \$96,000,000. This does not include the items of depreciation of equipment (which stands on the books at \$30,900,-097.45), and of depreciation of certain items of roadway (which stands on the books at \$13,796,050.95).

"In view of the foregoing facts, showing that the proposed increase of stock represents the previous earnings of the Company (and merely a part of them) which were used to increase the property investment instead of being distributed in dividends, the Management has decided it to be right and proper that there be issued to the stockholders ratably as a stock dividend so much of the \$53,000,000 increase of capital stock as the Interstate Commerce Commission shall authorize to be so issued."

OTHER COMPANIES CONTROLLED.

The Louisville & Nashville R. R. owns \$11,484,100 (nearly 72%) of the stock of the Nashville, Chattanooga & St. Louis Ry. (994 miles) and most of the stock of the Louisville, Henderson & St. Louis Ry. (181 miles), viz.: \$1,705,109 of the \$2,000,000 preferred and \$1,909,073 of the \$2,000,000 common stock. The Georgia R. R., operating 553 miles including dependencies, and the "Clinchfield" R. R., 309 miles, are leased jointly by the Louisville & Nashville R. R. and Atlantic Coast Line R. R.

In July, 1928, the lease of the Louisville, Henderson & St. Louis Ry. at a rental equal to 5% on the preferred and 8% on the common stock was proposed.

The Louisville & Nashville R. R. and the Southern Ry. jointly, in 1902, purchased a majority of the capital stock of the Chicago, Indianapolis & Louisville Ry. (648 miles), and issued in exchange their joint 4% 50-year bonds. There are issued \$11,827,000 of these bonds, secured by \$3,873,400 preferred stock and \$9,796,900 common stock of that road. In addition to the stocks of the "Monon" deposited as security for the joint bonds, the Louisville & Nashville R. R. owns \$5,000 common stock held in its treasury, also \$15,500 of the joint bonds.

The Louisville & Nashville R. R. owns \$153,200 stock of the Atlanta & West Point R. R. and holds one-half interest (Atlantic Coast Line R. R. holds other half interest) in \$936,100 of this stock, subject to the Georgia R. R. lease.

Joint lease of Carolina, Clinchfield & Ohio Ry. (309 miles) by Atlantic Coast Line R. R. and Louisville & Nashville R. R. under conditions imposed by the Interstate Commerce Commission was executed under date of October 16, 1924. For details see under "Clinchfield R. R."

Louisville & Nashville R. R. and Atlantic Coast Line R. R. each own \$100,000 of the \$200,000 stock and \$190,000 of the First Mortgage 5% bonds of the Elberton & Eastern R. R. (35 miles).

All the above lines are operated under separate organizations.

The Paducah & Memphis Division (254 miles) of the Louisville & Nashville R. R., is leased to the Nashville, Chattanooga & St. Louis Ry. at 5% on cost of road.

The Cumberland & Manchester R. R. (26 miles) was purchased in 1926 and leased effective January 1, 1927. The \$500,000 stock and \$375,000 notes are owned by Louisville & Nashville R. R.

BONDS.

The Louisville & Nashville R. R. assumed the \$10,000,000 Consolidated Mortgage 5% bonds, due 1936 (\$708,000 of which are owned) and \$10,791,000 (\$3,391,000 owned) General Consolidated 5% bonds, due 1963, of the South & North Alabama R. R.

Under date of April 1, 1915, the Louisville & Nashville R. R.

authorized \$20,000,000 First Mortgage 50-year 5% Lexington & Eastern Ry. bonds of which \$10,495,000 have been issued. These bonds have been assumed by the Louisville & Nashville R. R. They are secured by a first mortgage on a line constructed to open extensive coal fields in eastern Kentucky. The line was merged into the L. & N. System. Of these bonds \$7,870,000 have been sold and \$2,625,000 are in the treasury of the Louisville & Nashville R. R.

In 1920, \$7,500,000 10-year 7% notes, secured by \$13,200,000 mortgage bonds were sold, the Louisville & Nashville R. R. realizing \$7,200,000 thereupon. This issue is redeemable at par plus 1% premium for each year or part before maturity.

An issue of \$3,500,000 L. & N.-St. Louis Division First Mortgage 6% bonds, due 1971, was authorized in 1921 to provide for refunding a like amount of Southeast & St. Louis bonds maturing. To December 31, 1927, \$2,277,000 of these bonds had been delivered in exchange while \$1,211,000 of the old bonds had been redeemed in cash, leaving \$2,000 outstanding. Of the new bonds all except \$3,000 held in the treasury were outstanding.

A First & Refunding Mortgage was created in 1921 under which \$12,753,000 Series A 5½% bonds due 2003 were sold, realizing \$12,497,940. These bonds are redeemable at 102 after October 1, 1936. In August, 1923, \$14,000,000 of these bonds, Series B 5%, were sold, realizing \$13,020,000. These bonds are redeemable at 105 after September 30, 1938. In August, 1924, \$16,000,000 Series C 4½% bonds were sold, realizing \$14,640,000. Proceeds were applied toward a \$24,000,000 construction program.

As of December 31, 1927, there were owned by the Louisville & Nashville R. R. bonds of its own issue (including \$5,215,000 Unified Mortgage 4% bonds and \$1,829,000 First & Refunding Mortgage 4½% bonds) of a par value of \$25,474,500. Of these, \$6,564,500 were held in the treasury, \$18,829,000 were pledged, and \$81,000 were held in sinking funds.

GENERAL.

The Atlantic Coast Line R. R. in the latter part of 1902 purchased \$30,600,000 of Louisville & Nashville R. R. stock, and in 1912-13 acquired 51% or its proportionate interest in \$12,000,000 new stock sold by that company. \$59,670,000 stock is now owned. See under Atlantic Coast Line R. R.

The Construction Account was closed in July, 1894. From that date to June 30, 1907, expenditures theretofore charged to that account were charged to Operating Expenses. The total amount thus charged was \$18,465,716. In 1907-8 and 1908-9, Additions and Betterments to the amount of \$2,557,015 were made and charged to Income Account instead of to Operating Expenses. No appropriations of this character have since been made.

Automatic block signals were operated on 1,239 miles of road on December 31, 1927.

Main track (4,926 miles owned) on December 31, 1927, contained:

1,398 miles of 100-pound rail,	653 miles of 70-pound rail,
1,866 " " 90- " "	35 " " 68- " "
15 " " 85- " "	35 " " 60-65- " "
873 " " 80- " "	50 " " lighter rail,

As a condition to joint lease of Carolina, Clinchfield & Ohio Ry., the Louisville & Nashville R. R. was required to construct connections between its McRoberts and Harlan County branches (the former extending southeast from the main line, Corbin to Cincinnati, into the Hazard coal field, and the latter extending northeast from the Cumberland Valley division line into the Harlan and Benham fields) and the C., C. & O. Ry. Development of these southeastern Kentucky fields in recent years had resulted in an intolerable car supply condition on the L. & N. branches. It was stated that a primary purpose in acquiring control of the "Clinchfield" was to relieve this condition.

Upon completion of work upon 13 miles begun in September, 1926, a continuous low grade double track from the Harlan coal district to the Ohio River at Cincinnati, 257 miles, will be in operation except for a pusher grade of 12 miles south of Winchester, Ky.

On December 31, 1927, Current Assets were \$51,979,357 (including \$15,220,876 Material and Supplies) and Current Liabilities \$17,188,049 (including \$4,095,000 Dividends Declared). Balance to credit of Profit and Loss was \$80,341,468 and Appropriated Surplus \$2,997,220.

LOUISVILLE, HENDERSON & ST. LOUIS RY.

See Table, page 147.

The preferred stock is entitled to 5% per annum. An initial dividend of 4% for the year 1923 was paid on the preferred in February, 1924. An equal dividend was paid in February, 1925. In September, 1925, 2½% was paid on the preferred, and an initial dividend of 2% was paid on the common stock. In February and September, 1926, similar dividends were paid. In February, 1927, the rate was increased to 5% on the common stock.

In July, 1928, the lease of the property by the Louisville & Nashville R. R. at a rental equal to 5% on the preferred and 8% on the common stock was proposed.

In 1904-5 the Louisville & Nashville R. R. acquired a majority of the stock of this company. As of December 31, 1927, the Louisville & Nashville R. R. owned \$1,705,109 preferred and \$1,909,073 common stock.

In October, 1915, the Louisville, Henderson & St. Louis Ry. authorized \$5,000,000 First Consolidated Mortgage 5% 40-year bonds, of which \$700,000 have been issued to pay floating debt and to provide for improvements, etc. Of the authorized issue \$2,500,000 are reserved to retire the \$2,500,000 First Mortgage bonds due 1946.

A committee which was formed in 1913 to represent the interests of minority holders of preferred stock, secured an offer of \$38 per share from the Louisville & Nashville R. R.

Main line December 31, 1927, contained 67 miles of 100-pound rail, 47 miles of 90-pound rail, and 23 miles of 80-pound rail. Branch miles were 11 of 80-pound rail and 33 of 70-pound rail.

Of 3,356,851 tons of freight hauled by this road in 1927, 2,346,049 tons were received from connecting carriers. Bituminous coal contributed 2,374,604 (1926, 2,098,682; 1925, 2,220,354; 1924, 1,601,403) tons of the total.

The balance sheet of December 31, 1927, showed Current Assets, \$1,304,074 (including \$272,492 Material and Supplies) and Current Liabilities \$597,480. Credit balance to Profit and Loss was \$4,062,431 and Appropriated Surplus, \$42,722.

MISSISSIPPI CENTRAL R. R.

See Table, page 148.

The Mississippi Central R. R. acquired in 1908-9, through consolidation, the property of the Natchez & Eastern R. R. The company owns and operates a line of railroad 150 miles in length extending from Natchez, Miss., on the Mississippi River, to Hattiesburg, Miss.

It was formerly proposed to extend the line from Hattiesburg to Scranton, a port on the Gulf of Mexico, thus giving to the company the additional advantages of the shipping traffic at the Gulf and a share in the increase in commerce developing by reason of the opening of the Panama Canal. Twelve miles of road were built extending southeast from Hattiesburg, but in 1924 this mileage was abandoned, and mostly scrapped. In August, 1921, as alternative, a new freight route was opened to the Mississippi River, the Mississippi Central R. R. leasing from the Gulf, Mobile & Northern R. R. 26 miles from Hattiesburg to Beaumont, Miss., and securing trackage rights with the same road over 69 miles from Beaumont to Mobile. The contract for leased mileage and trackage right was cancelled by G., M. & N. R. R. as of August 15, 1924, owing to sale of the mileage to a new company. In January, 1925, the Mississippi Central R. R. ceased operation over these tracks.

Dividends were paid on the stock of the company as follows: 1904-5, 1½%; 1905-6, 7½%; 1906-7, 6%; 1907-8, 1½%; 1908-9 to 1912-13, none; 1913-14 to 1917-19, 2% annually; none since. The

amount of stock outstanding was increased in 1908-9 from \$1,500,000 to \$3,940,000.

There have been issued \$4,100,000 of \$10,000,000 authorized First Mortgage 5% bonds due July 1, 1949, which are redeemable by a sinking fund of \$300 annually per mile of road operated, at 110 or less, beginning July 1, 1912. Appropriation for sinking fund was \$49,200 in 1927 and \$116,200 bonds were retired. Additional bonds may be issued at \$25,000 per mile to acquire new mileage. The bonds are guaranteed, principal and interest, by the United States Lumber Co. Of the outstanding bonds, \$1,369,100 were held alive in the sinking fund, on December 31, 1927.

In 1922, \$300,000 was borrowed from the U. S. Lumber Co., Scranton, Pa., for funds to rebuild freight cars, the railroad giving its notes. Issuance of \$600,000 6% notes was authorized in 1923, the notes to mature \$50,000 semi-annually commencing July 1, 1924. These notes run also to the U. S. Lumber Co. and were given to refund \$300,000 short term notes and for capital purposes. At December 31, 1927, \$150,000 were outstanding.

Of total freight tonnage handled in 1927, products of forests were 54%, as against 53% in 1926, 61% in 1925, 66% in 1924, 65% in 1923, 69% in 1922, 72% in 1921, 76% in 1917, 87% in 1915-16, 88% in 1914-15, 89% in 1913-14 and 84% in 1912-13.

A tentative valuation as of June 30, 1918, of \$4,775,000 has been placed on the owned and used carrier property of the company.

The balance sheet, December 31, 1927, showed Current Assets \$461,019 (including \$109,946 Material and Supplies), and Current Liabilities \$191,327. Credit balance to Profit and Loss was \$474,268; Corporate Surplus also included \$20,333 Additions to Property through Income and Surplus and \$1,427,953 Sinking Fund Reserve.

MOBILE & OHIO R. R.

See Table, page 149.

Dividends have been paid in recent years as follows:

'03-4	'04-5	'05-6&'06-7	'07-8	'08-9	'09-10 to 1922	'23-4	'25-6	'27
2%	4%	5%	4%	5%	4%	7%	*10%	†12%

*Including 3% extra dividend. †Including 5% extra dividend.

In 1901, and in 1903-4, the Southern Ry. purchased a large majority of the General Mortgage 4% bonds and of the stock of this road, paying therefor respectively its Mobile & Ohio R. R. collateral 4% 50-year bonds, and its Mobile & Ohio R. R. 4% stock trust certificates, dollar for dollar. The Southern Ry. now holds \$8,356,500 of the \$9,471,000 General Mortgage bonds and \$5,670,200 of the \$6,016,800 stock of the Mobile & Ohio R. R. The General Mortgage bonds are pledged for the collateral trust 4% bonds. The vot-

ing power on \$4,984,200 (assented) stock is vested in the General Mortgage bonds, which were exchanged for debentures. The Mobile & Ohio R. R. is operated separately.

In 1913, \$2,500,000 St. Louis Division 5% bonds due 1927 were issued and sold. \$500,000 additional are held for account of company. These bonds are a mortgage on the line (159 miles) formerly operated by the St. Louis & Cairo R. R. (merged in 1913) subject to \$4,000,000 St. Louis & Cairo R. R. First Mortgage 4% bonds due 1931 (assumed by Mobile & Ohio R. R.).

In 1927, there matured \$8,000,000 6% and \$2,500,000 5% bonds including the entire issues of First Mortgage bonds and of St. Louis Division Mortgage bonds. A new Refunding and Improvement Mortgage was created limited to an amount of \$75,000,000 until paid-in capital stock exceeds \$25,000,000 when the bonds may equal three times the stock. In September, 1927, \$13,879,000 4½% Series of 1977 Refunding and Improvement bonds were sold. In part the proceeds were to pay the \$10,500,000 maturing bonds and to retire \$379,000 General Mortgage 4% bonds due 1938.

Of 970 miles of road maintained during the year, 809 miles were ballasted December 31, 1927.

Bituminous coal contributed 884,483 tons and forest products 1,710,838 tons of 6,468,754 tons of freight handled in 1927.

December 31, 1927, Current Assets were \$6,267,296 (including \$1,330,718 Material and Supplies), and Current Liabilities were \$3,336,186. Credit balance to Profit and Loss was \$13,062,634 and Corporate Surplus \$13,459,234.

NASHVILLE, CHATTANOOGA & ST. LOUIS RY.

See Table, page 150.

Dividends on the stock of this company have been paid in recent years as follows (semi-annually, February and August):

'05-'06	'07	'08	'09	'10-'11	'12	'13-'14	'15	'16	'17-'28
5%	6%	5½%	5%	6%	6½%	7%	5%	6½%	7%

A tentative valuation of \$69,262,133 as of June 30, 1916, was placed on the transportation property of this company by the Interstate Commerce Commission in July, 1924.

In 1912-13 the capital stock was increased to \$16,000,000 by the sale of \$6,000,000 stock at par, the proceeds from the sale of which were used to retire on July 1, 1913, \$6,000,000 7% bonds.

On December 31, 1927, the Louisville & Nashville R. R. owned \$11,484,100 stock of this road of which \$8,802,400 was pledged under its Unified Mortgage, and \$2,680,700 was pledged under the First & Refunding Mortgage.

In August, 1918, the company sold \$1,500,000 First Consolidated 5% bonds due April 1, 1928, of an authorized issue of \$20,000,000. In 1920, \$1,250,000 and in 1921, \$495,000 additional were sold,

bringing total outstanding on December 31, 1927, to \$16,072,000. There were also \$1,028,000 in the company's treasury. This was the company's only bond issue.

In February, 1928, the company sold at 94.84 to bankers \$16,800,000 First Mortgage, Series A, 4% bonds due 1978, of an authorized issue of \$17,100,000, the additional amount being held in the treasury. The proceeds of the issue were used to retire the \$16,072,000 First Consolidated 5% bonds due April 1, 1928.

Jointly with the Louisville & Nashville R. R. this road guarantees \$2,601,000 Louisville & Nashville Terminal Co. 4% bonds; jointly with four other companies, guarantees \$2,500,000 Memphis Union Station Co. 5% bonds, and jointly with the Chicago, Burlington & Quincy R. R. and Illinois Central R. R. guarantees \$4,000,000 Paducah & Illinois R. R. 4½% bonds, due 1955, secured by a first mortgage on a bridge across the Ohio River and on other property.

Effective August 1, 1926, the company made an agreement with the Gulf, Mobile & Northern R. R. for joint use by the latter of its tracks and facilities between Paducah, Ky., and Jackson, Tenn.

On December 31, 1927, main and second track owned and leased contained:

175 miles of 110-pound rail,	85 miles of 68-pound rail,
437 " " 90- " "	18 " " 60- " "
113 " " 85- " "	84 " " 58- " "
309 " " 80- " "	85 " " 56- " "

Ballast in main and second track on December 31, 1927, was 452 miles of crushed stone, 485 miles of gravel, 233 miles of cinder, 104 miles of slag and 32 miles of dirt.

The balance sheet of December 31, 1927, showed Current Assets (including \$2,439,155 Material and Supplies) \$7,571,164, and Current Liabilities \$2,336,949.

The credit balance to Profit and Loss on December 31, 1927, was \$18,933,695 (as compared with \$1,669,325 on June 30, 1900). The funded debt of the company was \$17,964,000 on December 31, 1927, against \$17,362,925 bonds and equipment notes outstanding as of June 30, 1900.

NEW ORLEANS & NORTHEASTERN R. R.

See Table, page 151.

In 1903, the stock of this road received its first dividend (3%), and since that date dividends have been paid annually as follows:

'04	'05	'06	'07	'08	'09	'10-'11	'12-'13	'14-'15	'16-'17	'18-24	'25-7
3%	3½%	5%	6%	4%	5%	6½%	5%	1%	4%	6%	*9%

*Including 3% extra dividend.

Southern Ry. owns \$5,969,600 of the \$6,000,000 stock.

On November 1, 1915, \$1,320,000 Prior Lien Mortgage 6% bonds matured and were extended to 1940 at 5%.

In 1917, the \$6,163,000 General Mortgage 4½% bonds and \$1,500,000 Income bonds were cancelled. A new Refunding and Improvement Mortgage to the amount of \$16,000,000 was authorized, the interest being limited to 6% per annum. In 1917, \$7,195,000 4½% bonds due 1952 were issued.

For a number of years control of this company was held by the Alabama, New Orleans, Texas & Pacific Junction Rys. of England. (See Alabama & Vicksburg Ry. under Illinois Central R. R.) In October, 1916, it was announced that the English company had sold its holdings of New Orleans & Northeastern securities, consisting of \$5,595,000 General Mortgage 4½% bonds, \$1,500,000 Income Mortgage bonds and \$5,336,300 common stock to J. P. Morgan & Co. This firm resold the same to the Southern Ry.

Prior to 1924 the New Orleans & Northeastern R. R. operated the terminal facilities of the New Orleans Terminal Co. (stock owned and bonds guaranteed by Southern Ry.) receiving Contributions from Other Companies (in 1923, \$574,837) in part reimbursement. Beginning 1924 the New Orleans Terminal Co. has received directly a proportion of gross revenues on traffic handled, sufficient to cover operating expenses and fixed charges.

All mileage maintained is ballasted.

In 1926, with installation on 72 miles, a system of automatic electric block signals was completed on the lines of the company.

On December 31, 1927, Current Assets (including \$591,895 Material and Supplies) were \$5,262,185 and Current Liabilities were \$1,191,498. Balance to credit of Profit and Loss account was \$6,765,589 and Corporate Surplus \$6,904,147. As the result of final settlement for federal control made in 1923 the company received \$1,400,000 in cash.

NEW ORLEANS GREAT NORTHERN R. R.

See Table, page 152.

No dividends have been paid on the capital stock.

There were operated on December 31, 1927, 277 miles of road (including 37 miles trackage) as against 93 miles of road operated on June 30, 1909. The main line extends from New Orleans, La., to Jackson, Miss., with branches to Folsom, La., Tybertown, Miss., Columbia, Miss., etc. The company operates into New Orleans over the line of the New Orleans & Northeastern R. R. (29 miles) and New Orleans Terminal Co. (8 miles). Trackage agreement with New Orleans & Northeastern R. R. is of long standing, and though subject to cancellation on two

years' notice by either party there has been no intimation that the contract would be terminated.

In 1926 a plan was announced by the Gulf, Mobile & Northern R. R. to develop a new through route for freight traffic between the Ohio River and New Orleans. By extension and reconstruction of mileage between Union and Jackson, Miss., the Gulf, Mobile & Northern R. R. would be connected with the northern terminus of the New Orleans Great Northern R.R. the line of which would carry into New Orleans. During 1926, the New Orleans Great Northern R. R. spent \$230,971 on construction of an extension of the main line 6.69 miles from Nogan, Miss., to Jackson, Miss., to connect with the Jackson & Eastern R. R. The work was completed in 1927 with additional expenditures of \$667,806. Formerly the company used Illinois Central tracks to enter Jackson.

Of total 2,171,533 tons transported in 1927 (2,026,372 in 1926; 1,723,878 in 1925) 855,635 (1,039,545 in 1926; 952,044 in 1925) were forest products. A total of 1,626,459 tons (1,514,863 in 1926; 1,317,615 in 1925) were originated on the road.

Balance sheet December 31, 1927, showed Current Assets \$860,715 (including \$208,158 Material and Supplies) and Current Liabilities \$859,254. Unextinguished Discount on Funded Debt was \$554,984. Credit balance to Profit and Loss was \$1,218,367 and Total Corporate Surplus \$1,311,158.

TENNESSEE CENTRAL RY.

See Table, page 153.

This company assumed operation February 1, 1922, of the property of the former Tennessee Central R. R. which a syndicate had purchased at special master's sale. Purchase price was \$1,500,000, paid in cash and demand notes.

Since 1912 the property had been operated in receivership. Earnings in some of these years were as follows:

	Oper. Revenues	Net after Taxes	Net Deficit
1921	\$2,349,047	\$149,333*	\$1,027,061
1920	2,926,861	182,771*	595,202
1917	1,797,252	361,562	419,351
1916	1,707,521	381,490	403,608

*Loss.

The new company sold \$1,500,000 First Mortgage 6% bonds, due 1947, subscribers to the bonds receiving for each \$1,000 in bonds \$2,000 in common stock. A loan of \$1,500,000, maturing 1932, was made to the company by the Government, secured in part by an additional \$1,500,000 of First Mortgage bonds.

In February, 1926, the entire \$3,000,000 First Mortgage bonds were offered to the public, \$1,500,000 having been purchased

from the company and proceeds used to retire the Government loan the bonds had secured, and the remainder purchased from individual holders. In 1926, \$410,000 First Mortgage, Series B, 6% bonds were issued to the company by trustee, and in 1927 the sale of these bonds at 96½ was authorized.

Also in 1926, the company sold \$253,300 and in 1927, \$246,700, a total of \$500,000, 7% cumulative preferred stock which was authorized, and in 1926 exchanged 60,000 no par value shares for the \$3,000,000 common stock. Dividends at the rate of 7% were paid in 1926 and 1927 on the preferred stock. In June, 1928, 10,000 shares of common stock voting trust certificates were sold privately by bankers.

Main line extends 247 miles from Harriman, Tenn., to Hopkinsville, Ky., with about 48 miles of branches.

Of 2,026,049 tons of freight carried in 1927 (1,984,399 in 1926) 1,075,033 were bituminous coal (1,058,247 in 1926) and 244,616 products of forests. Tonnage originated on the road amounted to 1,198,811 tons (including 731,669 tons of coal and 180,905 tons products of forests).

A tentative valuation of \$8,790,000 as of June 30, 1916, has been found for owned and used carrier property of the company.

Balance sheet December 31, 1927, showed Current Assets of \$701,240 (including \$359,215 Material and Supplies) and Current Liabilities of \$602,552 (including \$100,000 Loans and Bills Payable). Credit balance to Profit and Loss was \$655,086; total Corporate Surplus, \$1,015,213, including \$360,127 Additions to Property through Income and Surplus. (In 1924 \$349,995 Donations were credited to Profit and Loss and appropriated for Investment in Physical Property.) Balance sheet gave no value to the 60,000 shares of common stock, and showed \$25,000 Discount on Capital Stock, \$88,495 on Funded Debt, and \$155,283 other Unadjusted Debits.

WESTERN RY. OF ALABAMA

See Table, page 154.

Dividend rate was 4% 1900 to 1906 inclusive, 5% 1907 to 1912-13, 6% 1913-14 to 1923, 7% in 1924, and 8% in 1925, 1926 and 1927. An extra dividend of 25% was paid in February, 1926. Payments are made June and December on the \$3,000,000 capital stock, one-half of which is owned in the interest of the Louisville & Nashville R. R. and Atlantic Coast Line R. R., and one-half of which is owned by the Central of Georgia Ry.

The sale of \$1,543,000 4½% First Mortgage bonds at 97½ to bankers was authorized in August, 1928, to meet the payment of a like amount of 6% bonds due October 1, 1928.

This road and Atlanta & West Point R. R. are operated under common management.

On December 31, 1927, the line between West Point, Ga., and Montgomery, Ala., contained 46 miles of 100-pound, 37 miles of 90-pound and 2 miles of 80-pound rail, and the division Montgomery to Selma 8 miles 80-pound, 1 mile of 75-pound, and 35 miles 70-pound rail.

A tentative valuation of \$6,015,000 as of June 30, 1918 has been served on the property.

The balance sheet of December 31, 1927, showed Current Assets of \$1,053,264 (including \$380,097 Material and Supplies) and Current Liabilities of \$682,712. The credit to Profit and Loss was \$2,639,018 and Appropriated Surplus was \$549,139.

ATCHISON, TOPEKA & SANTA FE RY.

See Table, page 155.

The preferred stock is limited to 5% non-cumulative dividends, which have been paid semi-annually in February and August. The rate on the common stock was raised from 4% to 5% in December, 1906, and to 6% in June, 1907. In June, 1908, the rate was reduced to 5%, but in December, 1909, again increased to 6% per annum. With the March, 1925, quarterly payment the common stock was placed on a 7% dividend basis. In March, June, September, and December, 1927, and March, 1928, extra dividends at the rate of 3% annually were paid. With the June, 1928, quarterly dividend, the rate was made 10% regular.

In 1924 the authorized common stock was increased from \$250,000,000 to \$350,000,000. The additional \$100,000,000 common stock was to be issued to cover additions and betterments during future years, possibly through the medium of convertible bonds, it was officially intimated. In April, 1926, the by-laws of the company were amended to permit the management to dispose of any authorized stock in any manner, subject to preferential rights of stockholders.

To common stockholders of record January 27, 1928, there was offered for subscription as of April 30, 1928, at 100 \$9,296,400 additional common stock at the rate of 4% of holdings. Proceeds from the stock were applicable to payment at maturity of \$192,000 5% bonds on January 1, \$9,603,000 4% bonds on March 1, and \$224,000 5% bonds on April 1, 1928.

As of December 31, 1927, there were 20,673 preferred and 37,734 common stockholders. There were 23,610 preferred and 43,508 common stockholders on December 31, 1923.

APPROPRIATIONS, ETC.

The following amounts were in earlier years appropriated from surplus earnings or charged to Profit and Loss for improvements, written off for discount on bonds sold, etc., there having been no appropriations of comparable size since:

Year 1903-4.....	\$3,000,000	Year 1910-11.....	\$5,000,000
Year 1904-5.....	1,083,311	Year 1911-12.....	3,482,997
Year 1905-6.....	4,500,000	Year 1912-13.....	5,574,434
Year 1906-7.....	9,600,000	Year 1913-14.....	2,719,318
Year 1907-8.....	1,933,848	Year 1914-15.....	6,513,397
Year 1908-9.....	11,029,389	Year 1915-16.....	7,916,643
Year 1909-10.....	4,000,000	Year 1917.....	8,348,180

Appropriations were formerly made yearly for the Fuel Reserve Fund (\$73,118 in 1922). The balance to the credit of that fund, \$2,329,373, in 1923 was transferred to Profit and Loss. It was stated that maintenance of the fund had been "rendered unnecessary through the accrual of adequate depreciation and depletion reserves by subsidiary coal and oil companies."

The following amounts were received in cash as the net proceeds of sales of land, but these amounts were directly written off the book value of Railroads, Franchises and Other Property, and the transactions did not appear in the Income Accounts:

Year 1905-6.....	\$366,760	Year 1913-14.....	\$120,000
Year 1906-7.....	200,000	Year 1915-16.....	1,200,000
Year 1907-8.....	145,616	Year 1917.....	700,000
Year 1908-9.....	216,384	Year 1918.....	700,000
Year 1909-10.....	240,000	Year 1919.....	750,000
Year 1910-11.....	240,000	Year 1920.....	400,000
Year 1911-12.....	200,000	Year 1921.....	300,000
Year 1912-13.....	200,000	Year 1922.....	400,000

Amounts in subsequent years have not been reported.

OIL PROPERTIES.

The Atchison owns the entire \$5,000,000 stock carried at \$181,871 (written down 1912-15 from \$3,228,000) of the Chanslor-Canfield Midway Oil Co., acquired about 1905. Dividends received from this stock were \$2,250,000 in 1927, \$2,500,000 in 1926, \$3,000,000 in 1925, \$1,000,000 in 1924, \$2,000,000 in 1923, \$3,000,000 in 1921, \$4,000,000 in 1920 and \$5,250,000 in 1919. Production of oil is understood to be used for fuel by the railway. Other oil companies (including Coline Oil Co., \$174,700 stock carried at \$1,181,000, no dividends in 1927 or 1926) are also owned; also Healdton Pipe Line Co., \$372,500 stock carried at \$372,800, the dividend from which was \$158,440 in 1927, \$186,400 in 1926, and \$205,040 in 1925. In 1925 these properties were producing including royalty oil about 23,500 barrels daily, while about 32,000 barrels daily were required by the railway for fuel.

VALUATION.

A tentative valuation of \$568,849,730 representing cost of reproduction new less depreciation as of June 30, 1916, has been placed on carrier property of the Atchison system. In comment it was stated for the company that, including refrigerator cars at the time leased to a subsidiary, investment in other railroads

operated as adjuncts to the system, and excess of actual working capital, the valuation would become \$629,595,744. Adding \$111,381,665 depreciation (which the company claimed should not have been deducted) and \$11,554,786 value of non-carrier properties (such as oil and lumber) would make the 1916 value \$752,532,195 comparing with \$732,403,747 book investment. To bring the valuation to *December 31, 1924* (without allowing about 50% enhancement of unit prices) there should be further added \$232,853,000 invested in property, \$2,344,525 increased investment in other roads operated as part of the system, \$2,800,000 increased working capital, and \$2,259,235 increased investment in non-carrier properties which gave a total "least value" of \$992,788,955 against \$993,204,920 book value and \$632,515,459 outstanding capital obligations. Not included in the "least value" were grain elevators, hotels and three railroad subsidiaries costing \$2,088,095 new.

A final valuation of \$579,057,598 for system physical property as of June 30, 1916, was reported in August, 1927. To December 31, 1926, \$294,495,122 was expended on the property, bringing the valuation to \$873,552,720 without allowance for depreciation since 1916. The company had claimed at least \$750,000,000 valuation as of June 30, 1916.

CONVERTIBLE BONDS.

In 1904-5 and 1905-6, \$50,000,000 4% bonds due June 1, 1955, convertible into common at par until June 1, 1918, were offered to the stockholders for subscription at par.

In 1907, stockholders subscribed at par to \$26,056,000 10-year 5% bonds (authorized issue \$30,000,000) convertible into common stock at par until June 1, 1913.

In 1909, stockholders subscribed (12% of holdings) at a price of 104 to 4% bonds, due 1955, convertible into common stock at par until June 1, 1918; \$28,258,000 bonds were subscribed for.

In 1910, stockholders at rate of 14% of holdings subscribed at 102½ to \$43,686,000 4% bonds, due 1960, convertible into common stock at par to June 1, 1923, as of which date all but \$526,000 had been converted.

Of all the convertible bonds, \$8,501,000 remain outstanding, \$130,463,000 having been exchanged for common stock. These exchanges of bonds for stock altered the capital structure of the company to a considerable extent, increasing the common stock outstanding from \$101,955,500 on June 30, 1905, to \$232,409,500 on December 31, 1927.

MISCELLANEOUS FINANCES.

In reimbursement for capital expenditures the company late in 1915 sold \$9,999,970 preferred stock.

In 1915, \$3,000,000 of an authorized issue of \$20,000,000 Rocky Mountain Division First Mortgage 4% bonds due 1965, were sold

for the purpose of acquiring the line formerly operated by the St. Louis, Rocky Mountain & Pacific Ry. (106 miles).

In 1912, the company sold \$18,299,695 50-year 4½% bonds (\$50,000,000 authorized) secured by a mortgage on the California, Arizona & Santa Fe Ry. The latter company (stock all owned by the Santa Fe) operates 734 miles of lines in California and Arizona, including 241 miles, Needles-Mojave, acquired in 1911-12 from the Southern Pacific Co. in exchange for the properties of the Sonora Ry. and the New Mexico & Arizona R. R. These last named properties, while under the ownership of the Santa Fe, had been operated by the Southern Pacific under lease.

In 1908, \$17,000,000 of an authorized issue of \$30,000,000 Transcontinental Short Line 4% bonds due July 1, 1958, were sold. The issuance of additional bonds is limited to \$25,000 per mile of main track road. Proceeds were used towards the construction of a low grade short line for transcontinental traffic. Additional bonds under this mortgage were issued in 1916, bringing the amount to \$22,545,000 outstanding.

In October, 1928, there were sold \$14,691,000 California-Arizona Lines 4½% bonds, due 1962; the proceeds were about equal to cost of the "Orient" property purchased (see a following paragraph).

OFFICIAL STATEMENTS.

In the 1927 annual report it was shown that the Gross Operating Revenues of the company had increased from \$29,777,403 (\$4,620 per mile) in 1896 to \$255,617,825 (\$20,747 per mile) in 1927. Net Income in 1927 was \$49,754,117, as against \$1,168,424 in 1896. Average Miles Operated were 12,321 against 6,445. At the end of 1927 the company was employing 62,000 persons.

In the 1917 annual report appeared a statement below presented in abridged form:

Year Ending December 31	Property Investment*	Income Applicable to Bond Interest, Dividends, Improve- ment of Property and Strengthening of Credit†	Per Cent. Income of Property Invest- ment
1896.....	\$374,547,622	\$6,540,808	1.75%
1901.....	433,338,044	22,899,892	5.28
1906.....	536,262,856	30,840,265	5.75
1911.....	667,537,550	32,026,953	4.80
1915.....	725,587,472	40,432,874	5.57
1916.....	738,840,945	50,633,134	6.85
1917.....	762,696,055	49,744,273	6.52
Annual Average.	†\$556,469,366	†\$27,723,835	†4.98%

*Includes sums invested in Materials and Supplies.

†The "Income" shown above is determined after allowing for adjustments made through Profit and Loss.

‡Annual average includes intermediate years not included in table

GENERAL.

On December 31, 1927, Current Assets (including \$30,135,105 Cash and \$29,774,215 Material and Supplies) were \$72,348,574, and Current Liabilities were \$34,876,473. In addition the company owned \$22,209,200 U. S. Government securities. As result of settlement of federal accounts the company received \$7,599,500 in 1921 and \$21,500,000 in 1922. The credit balance to Profit and Loss account at the close of 1927 was \$265,373,844. The Corporate Surplus amounted to \$353,927,366 including \$88,003,179 Additions to Property through Income.

Neither the Santa Fe nor any of its subsidiaries have had any notes or bills outstanding for many years.

On December 31, 1927, there were 1,725 miles of second track in operation. With alternate main lines between Newton and Dalies, near Albuquerque, and between San Bernardino and Los Angeles and following the completion of 12 miles of second track under construction and 34 miles authorized, the system will be in effect double-tracked except for about 46 miles for the entire distance from Chicago to Los Angeles.

Treatment of ties with preservative, it was stated in the 1925 annual report, had reduced renewals required from 230 per mile annual average in ten years preceding the war to 115 in 1924 and 107 in 1925 which represented a substantial economy with 55,000,000 ties in service on 18,055 miles of track. In 1926 the entire \$499,500 stock of the Santa Barbara Tie & Pole Co. was acquired at \$294,000 cost.

Beginning 1925, 110-pound rail was adopted as standard for the transcontinental line, and to the end of 1927 a total of 1,606 miles had been laid with this weight.

Owned system main track December 31, 1927, contained:

1,607 miles of 110-pound rail,	384 miles of 70-71-pound rail,
7,441 " " 90- " "	262 " " 65-67- " "
2,115 " " 85- " "	583 " " 60-62½- " "
130 " " 80- " "	215 " " 55-57- " "
749 " " 75- " "	202 " " 40-52- " "

Two new lines, 65 miles in the South Plains country, Texas, and 59 miles in Oklahoma, were completed in 1925, and a line 31 miles in the Texas Panhandle in 1926. During 1926, three lines totaling 168 miles were acquired. Net increase of system mileage was 143 in 1926 and 139 in 1927.

Jointly with Southern Pacific Co., the Atchison, Topeka & Santa Fe Ry. owns the Northwestern Pacific R. R., 515 miles, and the Sunset Ry., 50 miles operated. The \$17,499,500 stock of Northwestern Pacific R. R. is carried at \$3,660,260 and the \$499,700 stock of Sunset Ry. at \$54,274. On the latter stock, dividends of \$100,000 in 1925 and \$20,000 in 1926 were received. In September, 1928, the purchase of the one-half of Northwestern Pacific R. R. stock owned,

at \$4,443,349, representing cost together with advances made, but without interest, was proposed by Southern Pacific Co.

In August, 1928, the Atchison was authorized to pay \$14,507,500 for the entire stock of the Kansas City, Mexico & Orient Ry. Latter had sufficient cash or equivalent to pay all debts including \$2,500,000 note held by the Government. Portions of the Orient line could be used by Atchison as a cut-off with savings as much as 285 miles in distance. It has 320 miles of road in Mexico and 738 in the United States.

CHICAGO, ROCK ISLAND & PACIFIC RY.

See Table, page 156.

Dividends have been paid regularly since 1916 on the 7% and 6% preferred stocks, semi-annually (January). Each class of preferred is cumulative to extent of 5% per annum; the 7% preferred has priority over the 6% preferred stock to the extent of 1%; the preferred stocks may be called at 105 and 102 respectively. A first dividend on the common stock since reorganization in 1917 was paid in March, 1927, at a 5% annual rate, payable quarterly. The rate was increased to 6% with the March, 1928, payment.

INTEREST HELD BY "FRISCO."

In January, 1926, the St. Louis-San Francisco Ry. purchased for \$10,506,090 the amount of \$18,333,300 common stock of the "Rock Island" and representation was secured in the management of the company.

TRANSACTION IN "COTTON BELT" STOCK.

Announcement was made in March, 1925, that large holdings of St. Louis Southwestern Ry. stock had been acquired by Chicago, Rock Island & Pacific Ry. In May the latter applied to the Interstate Commerce Commission for authority to acquire control. The St. Louis-San Francisco Ry. intervened on the ground that alliance between it and the "Cotton Belt" would be more appropriate. The "Rock Island" stated that holdings were \$13,348,000 preferred and \$1,628,000 common stock of the Cotton Belt (including \$9,538,000 preferred and \$1,098,800 common stock previously owned or controlled by Edwin Gould) cost of which averaged 77.325 for preferred and 39.162 for common stock. Stock owned was 41% of total outstanding, both classes having equal voting power. In July, the Rock Island sold \$7,500,000 3-year 4½% notes secured by pledge of \$13,480,000 Cotton Belt preferred stock. A report in August, 1925, by an examiner for the Interstate Commerce Commission recommended that the Rock Island application be denied as inconsistent with the tentative plan for railroad consolidations. In October, 1925, the note issue was cancelled and Rock Island's stock-holdings were sold to Kansas City Southern Ry. In the entire transaction no commissions or fees were paid. Net profit of

\$2,461,268 was credited to Profit and Loss in 1927 on account of the sale.

FINANCING.

In August, 1927, \$40,000,000 Secured 4½% bonds Series A due 1952 were sold. The proceeds were applied to the redemption of \$6,000,000 4½% notes due 1928, \$15,000,000 5% notes due 1929, and \$7,862,000 6% notes held by the Government due 1930, and for capital expenditures. As security \$45,000,000 First & Refunding Mortgage 4% bonds due 1934 were pledged. The bonds funded all short term notes maturing for the next few years. Profit and Loss in 1927 was charged \$3,097,326 for discount on securities sold and \$40,512 for expenses in connection with the issuance. Upon maturity of the First & Refunding Mortgage on April 1, 1934, these bonds would be secured under a new mortgage to be created ratably with other bonds issued under it. Total bonds issuable under the new mortgage would be limited to not exceeding three times the capital stock.

In September, 1922, \$5,500,000 First and Refunding Mortgage 4% bonds were sold (first direct sale of these bonds in many years), the company realizing \$4,673,760. Profit and Loss in 1922 was charged \$826,240 for Discount on Securities Sold.

In June, 1923, \$7,000,000 three-year 5½% notes were sold to provide for additions and betterments. These notes are secured by \$11,666,000 First and Refunding Mortgage bonds. In 1923, \$495,495 was charged to Profit and Loss for Discount on Securities Sold.

In June, 1924, \$10,000,000 five-year 5% notes were sold, secured by \$15,000,000 First and Refunding Mortgage 4% bonds. Proceeds were used in part to retire \$8,000,000 6% notes held by the Government. In August, 1924, \$5,000,000 additional five-year 5% notes were sold, secured by \$7,500,000 First and Refunding 4s. Proceeds were for general purposes. A \$2,000,000 note held by the Government at 6% was replaced privately at 4¾% during 1924.

In April, 1926, \$6,000,000 4½% 2-year notes were sold secured by \$8,700,000 First and Refunding 4% bonds. Proceeds with other funds were used to retire on June 1, \$7,000,000 5½% notes.

VALUATION.

In September, 1921, the Interstate Commerce Commission announced a tentative valuation for Rock Island carrier properties of \$335,539,013 as of June 30, 1915. Adding to this figure \$5,745,895, representing non-carrier property, and deducting value of leased lines whose capital stock is not wholly owned, and cash and materials on hand June 30, 1915, the value of physical property as of June 30, 1915, as found by the Commission was \$326,447,662. Adding additions and betterments to June 30, 1921 (\$36,374,458) and cash and materials then on hand (\$25,455,222) brought the total value to \$388,277,342, as of June 30, 1921. Capital liabilities exclud-

ing common stock, amounted to \$303,993,504, leaving an equity equal to \$113 a share for the common stock. These statements were made in the 1921 annual report. The company filed a protest claiming an increased valuation. In 1927 it was officially stated that the value of the common stock on this basis was then about \$160 per share.

TRINITY & BRAZOS VALLEY RY.

In 1918 the Rock Island was directed by court order to pay the Colorado & Southern Ry. for its half interest (\$4,380,000 First Mortgage bonds and \$152,000 capital stock) in the Trinity & Brazos Valley Ry. To provide funds (settlement price about \$4,000,000) the Rock Island sold \$4,500,000 three-year 6% notes. The Rock Island in previous years had advanced large sums to the Trinity & Brazos Valley Ry. of which \$3,729,864 were written off as worthless in 1914-15. The Trinity & Brazos Valley Ry. has been in receivership since 1914 and reported annual operating deficits. Owing to oil development in the Mexia field, Texas, revenues in 1921 increased nine-fold over 1920 and net from operations was \$288,066, but revenues were somewhat reduced in 1922 and a small operating deficit was again shown. In 1923 net operating income amounted to \$411,569. A new oil field at Navarro was brought in during 1923. Net operating deficit was \$99,706 in 1924, \$364,262 in 1925, \$178,535 in 1926, and \$151,926 in 1927. Rock Island values \$152,000 stock of Trinity & Brazos Valley Ry. at \$1 on its books and \$4,670,000 bonds and \$290,000 receivers' certificates at \$3,346,360. In 1927 \$290,000 additional bonds and \$200,000 receivers' certificates were acquired. The stock and \$4,380,000 bonds are pledged.

KEOKUK & DES MOINES RY.

The Rock Island guaranteed as to interest but not principal the First Mortgage 5% bonds of this company, the 165 miles of which were operated under lease. The bonds were defaulted at maturity October 1, 1923, and on December 31, 1923, the lease, which had been made for the term of lessor's existence, expired. Receivers were appointed and foreclosure proceedings were begun. The Rock Island declined to renew the lease but agreed with receivers upon an operating arrangement whereby it assumed expenses of operation and paid a monthly cash rental not, however, equal to full interest on the bonds. A decree of foreclosure and sale was entered. Negotiations with the Rock Island were continued, however, resulting in an agreement by that company to bid in the Keokuk & Des Moines property at foreclosure sale and exchange its First and Refunding 4% bonds, due 1934, par for par for the defaulted Keokuk & Des Moines First Mortgage 5% bonds. The property was thus acquired outright November 26, 1924, for \$2,641,000 First and Refunding 4% bonds.

BRANCH LINES.

During 1924, two lines in Oklahoma totalling 44 miles which had been operated at a loss for many years were abandoned and on this account \$1,534,973 was charged to Profit and Loss. During 1925, three branches totalling 26 miles were likewise abandoned and \$251,750 charged to Profit and Loss. Similarly, three branches were abandoned in 1926 at a loss of \$569,555, part of which was charged in 1927.

Two new branches, Billings to Ponca City, 28 miles, and Amarillo to Stinnett, 57 miles, were completed in 1927.

GENERAL.

The Rock Island controls developed coal properties or rights in Indiana, Illinois, Iowa and Kansas, and through the Choctaw, Oklahoma & Gulf R. R. also controls and operates coal mines in Oklahoma. The largest is the Consolidated Indiana Coal Co. whose capital stock is owned by the Rock Island. Acreage totals 10,241 of which 1,056 are farming land and could be sold. Approximately 100,000,000 tons of coal remain to be mined. The other three companies owned have coal reserves of over 85,000,000 tons. (Official figures in 1919.)

Double-tracking from Kansas City to Herrington, 150 miles, was completed in 1927, for the heavy traffic to and from the southwest and California.

Ballast in main and additional track on December 31, 1927, was 1,094 miles rock, 119 miles shale, 617 miles burnt clay, 2,522 miles gravel, 429 miles cinder, 93 miles mixed, and 365 miles sand or dirt. Of 2,842 miles branches, 1,459 miles were on sand or dirt.

As of December 31, 1927, main, second and additional track owned and leased, total 5,239 miles, contained:

36 miles of 110-pound rail,	129 miles of rerolled
1,132 " " 100- " "	80-75 pound rail,
1,457 " " 90- " "	2 " " 70- " "
126 " " 89- " "	130 " " 65 to 67- " "
1,008 " " 85- " "	181 " " 60-pound & lighter rail.
1,038 " " 80- " "	

Branches, 2,842 miles, contained:

6 miles of 100-pound rail,	192 miles of rerolled 80-
58 " " 90- " "	and 75-pound rail,
52 " " 89- " "	328 miles of 70- pound rail,
49 " " 85- " "	449 " " 65 to 67- " "
309 " " 80- " "	1,398 " " 60-lb. & lighter rail.

On December 31, 1927, Current Assets (including \$8,866,374 Material and Supplies) were \$42,177,369, and Current Liabilities

(including \$623,000 Loans and Bills Payable) were \$14,945,913. Credit balance to Profit and Loss was \$31,821,562 and Appropriated Surplus \$1,061,431.

REORGANIZATION.

On April 20, 1915, receivers were appointed for the Chicago, Rock Island & Pacific Ry., owing to inability to finance about \$6,000,000 bills and loans.

The reorganization plan was announced under date of November 14, 1916, and was carried out without foreclosure, as of June 24, 1917. The receiver was discharged July 27, 1917. Pursuant to this plan \$35,832,365 cash was provided by 40% assessment on \$75,000,000 old stock, holders of which received 40% in 7% preferred, by sale of \$5,000,000 6% preferred at par to former directors, and by receipt of \$500,000 in settlement of suit against former directors.

The \$20,000,000 defaulted debentures sold in 1912 were exchanged dollar for dollar for 6% preferred stock. There remained undisturbed \$257,758,383 bonds and equipment obligations (including \$16,199,000 First and Refunding bonds, \$1,965,000 R. I. A. & L. First Mortgage bonds and \$2,757,000 St. P. & K. C. Short Line First Mortgage bonds).

See previous editions of this book regarding the former control of Evansville & Terre Haute R. R. by Chicago & Eastern Illinois R. R., of the latter by St. Louis & San Francisco R. R., of this in turn by Chicago, Rock Island & Pacific R. R., of the Ry. Co. by the R. R. Co., and finally of the R. R. Co. by the Rock Island Co.

HISTORICAL.

On March 31, 1902, the Chicago, Rock Island & Pacific Ry. operated 3,910 miles of road and its capital stock amounted to \$59,961,960. During the following fifteen months to June 30, 1903, \$14,855,140 additional stock was issued of which \$9,154,040 was sold, largely to stockholders, and the balance issued for purchase of stock of subsidiary roads, increasing the mileage to 5,579 miles June 30, 1905.

The Chicago, Rock Island & Pacific Ry. paid dividends prior to reorganization as follows:

	'99-'02	'03	'04	'05	'06	'07-'09	'10	'11	'12	'13	'14-'16
%.....	5	7½	8¼	7.88	6	5¼	4½	6¼	5¼	5	0

In 1907, the Chicago, Rock Island & Pacific Ry. sold to the Toledo St. Louis & Western R. R. \$6,380,000 preferred and \$14,420,000 common stock of the Chicago & Alton R. R. On December 31, 1920, there were held in the treasury of the former company the unsold securities received therefor, namely \$400,000 Series A, and \$5,047,000 Series B (combined book value \$2,178,800) collateral bonds of the Toledo, St. Louis & Western R. R. In 1909-10 and 1910-11, \$2,-

500,000 and \$1,210,000 Series A bonds were sold. In 1914-15, the C. R. I. & P. Ry. wrote off the sum of \$3,615,679, representing the difference in cost price of Toledo, St. Louis & Western R. R. bonds and existing value. The Toledo, St. Louis & Western defaulted the principal of these bonds at maturity in 1917. After continued litigation a settlement was effected in November, 1921, whereby the Rock Island in exchange for the bonds still owned received 30,620 shares of the preferred stock and 68,140 shares of the common stock of the Chicago & Alton R. R. being about one-fourth of this company's outstanding stock. In 1922 40,800 shares of the preferred and 14,400 shares of the common stock were sold, book value of the remaining preferred was written down to \$3.50 and of the common to \$2 per share, and Profit and Loss was debited \$1,514,362. The balance of this stock (except three shares of the preferred) was sold in 1923.

In 1911, the St. Paul & Kansas City Short Line, a subsidiary of the Chicago, Rock Island & Pacific Ry., acquired control of the St. Paul & Des Moines R. R. This company operated 121 miles of road (including 8 miles of trackage) from Des Moines to Mason City, Iowa. About 67 miles additional (to Allerton, Iowa, a point on the C., R. I. & P. Ry. main line to Kansas City) were completed in 1913. The line affords the Rock Island the shortest route by 43 miles between St. Paul and Kansas City. The C., R. I. & P. Ry. owns all the stock of the "Short Line." To acquire and complete this property the St. Paul & Kansas City Short Line R. R. issued \$10,000,000 of an authorized issue of \$30,000,000 4½% First Mortgage bonds, due 1941. These bonds were acquired by the C., R. I. & P. Ry., guaranteed by it as to principal and interest and sold to the public (\$9,975,430 outstanding, 1927). An additional \$6,041,000 (\$4,791,000 unpledged) of these bonds are owned by the Rock Island, including \$2,665,000 issued in 1925 against the acquisition of the Keokuk & Des Moines Ry.

COLORADO & SOUTHERN RY.

FORT WORTH & DENVER CITY RY.—WICHITA VALLEY RY.

See Table, page 157.

The first and second preferred stocks are entitled to 4% non-cumulative dividends in order of priority. Dividends have been paid as follows (%):

	'06	'07	'08-'11	'12	'13	'14-'15	'16	'17-'20	'21-'22	'23-'25	'26-'27
First Pfd.....	4	4	4	4	4	0	2	4	4	4	4
Second Pfd. .0	4	4	4	4	4	0	0	4	4	4	4
Common	0	0	2	1	0	0	0	0	3	0	3

In 1908, the Chicago, Burlington & Quincy R. R. acquired a controlling interest in this company. The amount of each class of Colorado & Southern Ry. stock held by the C. B. & Q. R. R.

is as follows: first preferred \$1,130,000, second preferred \$6,078,700, common \$25,497,500. In 1926 \$1,830,000 common stock owned for some time by a subsidiary was acquired by the Burlington at a cost of \$1,006,772. The Northern Pacific Ry. owns \$100,000 common stock and subsidiaries own \$260,000 common and \$100,000 second preferred stock.

The increase in operated mileage of the System to 1,859 miles December 31, 1927, as against 1,118 miles 1904-5 (Colorado & Southern Ry. proper) is shown as follows:

	Miles
Ft. Worth & Denver City Ry. (acquired 1905-6).....	534
Wichita Valley Lines (mostly acquired in 1906-7).....	272
Add mileage of Colorado & Southern Ry. proper.....	1,053
Total mileage	1,859

In April, 1925, the Fort Worth & Denver South Plains Ry., a subsidiary company organized for the purpose, proposed to construct about 200 miles of new line to reach 8,500 square miles constituting the "South Plains" of Texas, a rapidly developing agricultural district. During 1927, a total of 205 miles were under construction, 132 miles from Estelline to Dimmitt and the balance from Silverton to Lubbock. Estimated cost was \$7,210,869, an average of \$35,200 per mile of main line, provided from current cash resources.

CONTROLLED COMPANIES.

The property of the Colorado Springs & Cripple Creek District Ry. Co. (74 miles) which had been leased in 1911-12 to the Florence & Cripple Creek R. R. and its successor, the Cripple Creek & Colorado Springs R. R. was placed in receivership May 2, 1919. Operation ceased May 5, 1920, owing to insufficient traffic. Outstanding claims and bonds were in excess of the value of the property and the entire capital stock owned by the Colorado & Southern Ry. was written off in 1921 and \$1,397,013 charged to Profit and Loss. No reorganization was attempted and the property was sold under foreclosure in October, 1922, for \$370,000, which was less than outstanding amount of bonds and other debt.

In 1917 the Colorado & Southern Ry. wrote off from among its assets the sum of \$1,021,557 capital stock of the Colorado Midland Ry. (one-half of the total), foreclosure having made the stock valueless.

In 1907 the Denver & Interurban R. R., an electric road (44 miles), was constructed for passenger service between Denver and Boulder and adjacent mining camps. A receiver was appointed June 12, 1918, who operated the line until June 30, 1921, when it was returned to the company. As of August 31, 1926, a receiver was again appointed; in December operation was discontinued, and in February, 1927, the property was sold for

\$88,850 under foreclosure. In 1917 the Colorado & Southern Ry. had written off \$354,469 from investment in the road and in 1927, \$1,379,865, covering bonds, notes, advances and open accounts. All claims against receiver have been paid. The Denver & Interurban Motor Co. was incorporated for \$250,000 in June, 1925, to operate buses between Denver and Boulder. The stock is owned by Colorado & Southern Ry. The Motor Co. was expected to handle practically all local passenger business over this route, superseding the electric line. Net income from \$142,445 (1926, \$81,132) gross revenues in 1927 was \$13,412 (1926, \$16,686).

The Rock Island System holds a half interest, subject to pledge under the Refunding and Extension Mortgage, in the securities of the Trinity & Brazos Valley Ry. acquired from the Colorado & Southern Ry. "Rock Island" assumed one-half the requirements for interest, etc., on account of Trinity & Brazos Valley Ry. In December, 1918, the Rock Island was ordered by the court to pay the Colorado & Southern Ry. for its half interest in the Trinity & Brazos Valley Ry. By the resulting settlement the Colorado & Southern Ry. collected in cash 60% of cost of this half interest and wrote off a loss of \$1,510,728.

The Trinity & Brazos Valley Ry. operates 368 miles, forming a continuation of the Colorado & Southern Lines from Fort Worth to Houston, Texas, and the Gulf Coast. The Trinity & Brazos Valley Ry. owns the Galveston Terminal Ry. and a one-quarter interest in the Houston Belt & Terminal Ry. The half of the stock and bonds of the Trinity & Brazos Valley Ry. owned by Colorado & Southern Ry. are pledged under the First and Refunding Mortgage. On June 16, 1914, a receiver was appointed for the Trinity & Brazos Valley Ry.

Gross operating revenues were \$2,836,351 in 1927, \$2,816,489 in 1926, \$2,652,732 in 1925, and \$2,665,372 in 1924. Net operating income was \$159,540 in 1927 and deficits were \$177,761 in 1926, \$364,009 in 1925, and \$99,706 in 1924, after deductions for joint facility and equipment rents of \$300,397 in 1927, \$324,708 in 1926, and \$303,571 in 1925. Net operating income was \$412,509 in 1923 and \$288,066 in 1921; net operating deficit was \$13,857 in 1922. From 1907-8 to 1917 inclusive the gross revenues ranged from \$2,835,818 (1912-13, 463 miles operated) to \$912,651 (1916, 315 miles operated) and annual deficits ranged from \$1,497,116 (1913-14) to \$902,024 (1908-9).

GENERAL.

The decision of the Interstate Commerce Commission, dated October 14, 1927, fixed a final valuation on property, used for common carrier purposes, of the System companies, of \$61,290,183. This figure exceeds the tentative valuation by \$844,250 and is based on an inventory as of June 30, 1918 at pre-war prices for property other than land. From date of valuation through 1927 there had been

expended for additions and betterments and new construction, \$20,019,996. Outstanding on December 31, 1927, were \$49,734,900 mortgage bonds, \$2,078,900 equipment obligations, and \$48,000,000 stock, or total \$99,813,800 capitalization.

During 1925 the Colorado & Southern Ry. purchased \$5,011,000, in 1926, \$2,101,000, and in 1927, \$5,000 of its First Mortgage bonds, due 1929, reducing to \$12,283,000 the amount with the public. In the 1924 and 1925 annual reports of the company attention was drawn to the policy adopted of conserving cash resources so that reduction might be effected in funded debt and property account fortified against substantial losses incurred among investments.

On December 1, 1921, the \$8,176,000 First Mortgage 6% bonds of the Fort Worth & Denver City Ry. matured and were extended for 40 years at 5½% plus \$40 in cash per \$1,000 bond. The bonds are redeemable on January 1, 1935, at 105 and at a diminishing premium to maturity.

On December 31, 1927, the balance sheets of the Colorado & Southern Lines showed:

	Current Assets	Current Liabilities	Profit and Loss Bal.
Colorado & Southern Ry.....	\$4,238,561	\$2,462,553	\$9,925,141
Fort Worth & Denver City Ry...	3,785,126	1,360,135	12,020,700
Wichita Valley Ry.	678,099	276,712	679,190

Beginning with 1918 these three companies have kept their accounts separately. The Colorado & Southern Ry. owns practically all the stock of the Fort Worth & Denver City Ry. and the Wichita Valley Ry.

DENVER & RIO GRANDE WESTERN R. R.

See Table, page 158.

The Denver & Rio Grande Western R. R. succeeded the Denver & Rio Grande R. R. on August 1, 1921, as operator of the old Denver lines. The funded debt (\$120,226,000 outstanding December 31, 1923) of the old company was not assumed. The successor company issued 300,000 shares of no par common stock, all of which was owned by the Western Pacific R. R. Corporation. Upon foreclosure suit brought for the Adjustment and First and Refunding Mortgages (not assumed) a receiver was again appointed and operated the property until December 20, 1924, when the present company took possession.

REORGANIZATION IN 1924.

Under date of June 15, 1923, a plan for reorganization of the Denver & Rio Grande Western R. R. was announced following negotiation between the Western Pacific R. R. Corp., the Missouri Pacific R. R. and protective committees for the "Denver" First

and Refunding and Adjustment bonds. Modifications to this plan were announced under date of February 29, 1924. In June the modified plan was approved by the Interstate Commerce Commission. Foreclosure sale took place in October and the New Company took over the property on December 20, 1924.

The plan as modified principally provided for: (1) purchase by the Missouri Pacific R. R. from the Western Pacific R. R. Corp. of one-half interest in the common stock of the New Denver Co. and in the stock of the Utah Fuel Co. for \$9,000,000 in cash; (2) payment to the New Denver Co. of \$10,000,000 cash by the Western Pacific, the latter receiving 300,000 shares (the entire issue) of common stock in the New Company, this stock to be placed in voting trust and one-half interest sold to Missouri Pacific R. R. as above; (3) use of \$10,000,000 received by the New Company for redemption of \$5,000,000 receiver's certificates, sold in 1923 to Missouri Pacific and Western Pacific, and for purposes of reorganization; (4) trusteeship after paying \$2,000,000 dividend to Western Pacific (subject to pledge under R. G. W. First Consolidated Mortgage and thereafter assigned in event of foreclosure to the New Denver Co. Refunding and Improvement and General Mortgages) of the \$10,000,000 par value Utah Fuel Co. stock, dividends from which will be paid to the New Denver Company until sufficient together with earnings to cover dividends one year in advance on the preferred stock to be issued by the New Company, thereafter, so long as this is the case, dividends from Fuel Co. stock will be payable jointly to Western Pacific and Missouri Pacific (in any event, until February 1, 1929 all such dividends will be paid directly to the New Company); and (5) retention by Western Pacific R. R. Corp. of \$300,000 par value stock of Western Realty Co. and underlying Denver bonds, valued at \$108,881, acquired in liquidation of Globe Express Co.

In accordance with the plan there were authorized a Refunding and Improvement Mortgage for \$150,000,000, of which \$2,000,000 bonds were issued in reorganization, purchased in equal share by Missouri Pacific R. R. and Western Pacific R. R. Corp; a General Mortgage for \$29,808,000 bonds due 1955, all issued, bearing 5% interest payable only at discretion of directors but cumulative for five years from February 1, 1924, and a fixed charge after February 1, 1929, with cumulative 1% sinking fund, subject to the Refunding and Improvement Mortgage; \$16,445,600 6% non-voting preferred stock, entire amount issued, cumulative from February 1, 1924; and 300,000 shares of common stock deliverable for ultimate beneficial interest of Western Pacific R. R. Corp. and Missouri Pacific R. R.

Holders of certificates of deposit for the Denver First and Refunding 5% bonds and Adjustment 7% bonds (the two Denver bonds in default) received for each \$1,000 bond \$725 in new General Mortgage bonds and \$400 in new preferred stock.

The reorganized Denver company following consummation of the plan had outstanding, in addition to equipment obligations, \$81,112,000 underlying bonds (due 1928-1949), \$2,000,000 Refunding and Improvement 6% bonds, \$29,808,000 General Mortgage bonds, \$16,445,600 preferred stock, and 300,000 shares common stock. Interest charges in 1925 were \$3,619,230 as against \$6,099,345 in 1924 including \$2,182,935 accrued interest on First and Refunding and Adjustment bonds. Cumulative charges contingent on earnings and discretion of directors are \$1,490,400 interest on General Mortgage 5s and \$986,736 dividends on preferred stock. Sinking fund, \$298,080, on General Mortgage bonds is contingent on earnings; a total \$1,192,320 was accumulated in sinking fund December 31, 1927, representing four years' requirement; \$298,080 was charged to earnings in each year 1927, 1926, and 1925, and a like amount in 1925 to Profit and Loss.

The reorganization plan stated that the policy of directors of the new company would be: (1) to operate the new company in development of its own interest, and (2) to encourage creation of a short line from Denver to Salt Lake City by utilization of the existing line from Salt Lake City to Dotsero and a line from the latter point through the proposed Moffat Tunnel to Denver.

PURCHASE BY WESTERN PACIFIC.

On November 20, 1920, public sale of the Denver property was ordered by court to satisfy a judgment for \$38,270,343 obtained by Western Pacific bondholders against the Denver in 1917, and on which \$11,948,887 had been realized up to the date of sale. The Denver was sold, subject to about \$120,000,000 funded debt, to the Western Pacific R. R. Corporation for \$5,000,000. Transfer was delayed to August 1, 1921, partly by an unsuccessful appeal from the court order confirming the sale.

HISTORICAL.

In 1904-5 the Denver & Rio Grande R. R. assisted in organizing the Western Pacific Ry. for the purpose of building a main line of railway from San Francisco to Salt Lake City, with certain branches, total 927 miles. The financial arrangements for the construction of this line were completed by the sale of \$50,000,000 First Mortgage 5% 30-year bonds of the Western Pacific Ry. It was estimated that the proceeds of this issue would cover the cost of the main line with terminals and necessary equipment and bond interest accrued during construction. The line was opened for traffic in 1909.

As a part of the plan for financing the new line, contracts on the part of the Denver & Rio Grande R. R. and the Rio Grande Western Ry. with Western Pacific Ry. were entered into, the principal features of which were:

In the event that the proceeds of the First Mortgage bonds of the Western Pacific Ry. should prove insufficient to complete the main line and to provide terminals and equipment to the amount of \$3,000,000, the D. & R. G. R. R. would undertake to provide sufficient funds to assure the completion of the new line, and if called upon to make any advances, would take Second Mortgage 5% bonds of the Western Pacific Ry.

The Denver & Rio Grande R. R. undertook to make up any deficit in income of the Western Pacific Ry. to an amount required to meet its operating expenses and taxes, and after completion of the main line, the interest and sinking fund upon its First Mortgage bonds. For all advances so made the D. & R. G. R. R. received the promissory notes of the Western Pacific Ry., payable from its first available income. The Denver & Rio Grande R. R. guaranteed the interest on the First Mortgage bonds of the Western Pacific Ry. and held as of December 31, 1918, \$62,500,000 par value stock of the latter. This was carried at a book value of \$4,284,953.

To December 31, 1918, the Denver & Rio Grande R. R. had received from the Western Pacific Ry. notes for \$17,923,370, to cover the principal part of indebtedness for interest advances, accrued unpaid interest on its Second Mortgage bonds owned by the Denver & Rio Grande R. R., etc. These notes were mostly deposited under the latter's Adjustment Mortgage and were carried December 31, 1918, at par.

On March 5, 1915, receivers were appointed for the Western Pacific Ry., the interest due March 1 having been defaulted and the Denver & Rio Grande R. R. being unable to advance the necessary amount. See Western Pacific R. R. Corporation for reorganization involving the elimination by foreclosure of the \$25,000,000 Second Mortgage 5% bonds and the \$26,800,000 claims and unsecured debt owned by the Denver & Rio Grande R. R. and its subsidiary the Utah Fuel Co., and the \$75,000,000 stock.

On December 31, 1918, the Denver & Rio Grande R. R. owned stock, bonds and notes of the Western Pacific Ry., of a par value of approximately \$105,000,000 carried on the books at a value of approximately \$41,000,000. In April, 1919, Profit and Loss was charged \$37,930,478, which was the value as of March 5, 1915, of the investment in Western Pacific stock and other securities, representing cash, materials, labor, etc., advanced for construction purposes.

Following reorganization in which 94.9% of the bond issue was acquired by it, the Western Pacific Corporation sued the Denver to recover on its contractual obligation and secured a judgment of \$38,270,343. Through attachments and execution sales \$11,948,887 was realized prior to November 20, 1920 (when the Denver was sold at foreclosure). Unpaid balance of the judgment as of November 20, 1920, was \$35,248,568, based on the judgment

obtained in Colorado (judgments were also obtained in other states) and including interest at 8%. (See under Western Pacific R. R. Corporation.)

UTAH FUEL CO.

Among the assets of the "Denver" sold was the \$10,000,000 stock of the Utah Fuel Co., valued on the books of the company at \$6,000,000. In June, 1918, this stock was attached and sold to Western Pacific for \$4,000,000. The stock had been acquired by the Denver in 1901 by issue of \$6,000,000 Consolidated Mortgage bonds. Title to the stock was litigated by trustees of old "Denver" bonds. Utah Fuel Co. in 1927 had outstanding \$1,749,000 bonds. It has been estimated the lands owned contain over 170,000,000 tons of coal. Mines are located adjacent to the Denver lines. A dividend of 6% was paid 1913-14; and of 5% in some subsequent years. In 1921 the Western Pacific R. R. Corporation withdrew \$2,928,814 in dividends from Utah Fuel Co. In carrying out the Denver reorganization in 1924, a dividend of \$2,000,000 was paid Western Pacific R. R. Corporation and the Utah Fuel stock was trusted for the immediate benefit of the Denver Co. which in 1927 showed among investments the \$10,000,000 Utah Fuel stock as a "contract right" at par value. From 1913 to 1921 Utah Fuel paid a total of \$6,028,814 in dividends, averaging approximately \$670,000 annually. Net earnings for dividends were \$1,212,719 in 1923, deficit of \$132,457 in 1924, and income \$428,316 in 1925, \$221,810 in 1926, and \$375,177 in 1927.

GENERAL.

A plan for reorganization proposed by the Western Pacific in January, 1922, was withdrawn upon appointment of a receiver for the Denver & Rio Grande Western in July, 1922.

From August, 1922, through the year 1924, there was expended \$19,188,536 (including \$4,397,514 charged to operating expenses) in rehabilitating the Denver railroad properties, constructing shops and acquiring equipment, against which \$6,600,000 securities (\$4,600,000 equipment trust certificates and \$2,000,000 Refunding and Improvement Mortgage bonds) remained outstanding.

First main track (2,890 miles operated) including narrow-gauge (853 miles), trackage rights (123 miles), and branches, contained, December 31, 1927, 23 miles of 100-pound rail, 892 miles of 90-pound rail, 746 miles of 85-pound rail, 128 miles (34 narrow gauge) of 75-pound rail, 175 miles (all narrow gauge) of 70-pound rail, 531 miles (316 narrow gauge) of 65-pound rail, 185 miles (128 narrow gauge) of 52-60-pound rail, and 211 miles (198 narrow gauge) of 45-pound and lighter rail.

Of total 2,890 miles operated, 1,619 were unballasted; of 1,009 miles of track in the main line, Denver-Salt Lake, 58 miles were unballasted.

In 1927 products of mines formed 69.2% (bituminous coal 46.9%) of total tonnage carried.

At December 31, 1927, Current Assets were \$9,476,768 (including \$2,900,118 Material and Supplies) and Current Liabilities were \$4,782,967. Credit balance to Profit and Loss was \$6,391,733, and Appropriated Surplus was \$2,625,263 including \$1,192,320 for General Mortgage and \$1,190,511 for equipment trust sinking funds. The 300,000 no par value shares of common stock were stated at \$72,457,539.

DENVER & RIO GRANDE R. R. (OLD COMPANY).

On January 26, 1918, receivers were appointed for the old Denver & Rio Grande R. R.

No dividend was ever paid on the common stock. The full dividend on the 5% preferred was paid from 1900, to and including the semi-annual payment of 2½% in January, 1911. In July, 1911, the preferred dividend was passed. No further dividends were paid.

The majority, or \$3,579,737, of the capital stock of the Rio Grande Southern R. R. and \$1,777,000 4% bonds were owned by the Denver & Rio Grande R. R. but as of August 1, 1921, these securities were taken over by the Western Pacific R. R. Corporation. A "contract right" in amount of these securities was carried by the reorganized Denver Co. in 1927 among investments at \$1 for the stock and the same for the bonds. The Denver & Rio Grande R. R. guaranteed \$2,277,000 (about half) of the 4% bonds of the Rio Grande Southern R. R., of which the Western Pacific R. R. Corporation owns \$1,779,000. Interest due January 1, 1922, was defaulted and a protective committee was formed.

Missouri Pacific R. R. formerly owned \$10,000,000 common stock and \$2,372,000 First and Refunding bonds of the Denver & Rio Grande R. R.

During the year 1901-2 \$12,500,000 preferred stock was sold to stockholders at \$90 per share, and the proceeds used to acquire the entire common stock of the Rio Grande Western Ry., and \$8,250,000 additional preferred stock was issued in exchange for substantially all of the \$7,500,000 preferred 5% stock of the Rio Grande Western Ry. on the basis of 10 shares of the latter for 11 shares of the former. Since 1901-2, preferred stock was issued as follows: \$1,200,000 in 1904-5, \$112,700 in 1905-6, \$48,700 in 1906-7, \$18,400 in 1908-9, and \$4,000,000 in 1909-10.

The stockholders voted in July, 1908, to merge the Denver & Rio Grande R. R. and the Rio Grande Western Ry., and in September, 1908, authorized a First and Refunding Mortgage covering the consolidated properties to secure an issue of \$150,000,000 5% bonds due August, 1955 (interest February and August); \$90,000,000 were reserved to retire underlying issues and the balance for various purposes. At date of reorganization (1924) \$31,114,000 First

and Refunding bonds were outstanding. Interest on the First and Refunding bonds was defaulted February 1, 1922.

In 1912 the Denver & Rio Grande R. R. Adjustment Mortgage was authorized in amount of \$25,000,000. In 1912, \$10,000,000 7% bonds were subscribed for. Interest was paid to and including April 1, 1921. Proceeds from the sale of \$2,500,000 Adjustment bonds were advanced to the Western Pacific Ry. and the proceeds of \$7,500,000 bonds were used for additions and betterments.

DENVER & SALT LAKE RY.

See Table, page 159.

This company took over the property as of January 1, 1927, following the reorganization of the predecessor Railroad Co. under a plan dated July 15, 1925. The Railroad Co. had been in receivership since August, 1917, and had defaulted its First Mortgage bonds on May 1, 1916.

In reorganization, the \$10,514,000 First Mortgage 4% bonds had the alternatives of paying per \$1,000 bond \$200 cash and receiving \$200 new First Mortgage 6% bonds, \$1,000 new Income 6% bonds, and two shares of new stock, or of paying no cash and receiving per \$1,000 bond \$666.67 Income 6% bonds and one share of stock, while the \$2,000,000 Adjustment bonds were allowed to pay per \$1,000 bond \$200 cash and receive \$200 First Mortgage bonds and five shares of stock. The \$583,515 stock, and, unless making subscription, the Adjustment bonds did not participate in the plan.

Authorized new securities were as follows: \$2,500,000 Series A 6% First Mortgage bonds, due 1950, callable at 105, issued in reorganization; \$3,000,000 Series B, issuable in acquisition of a line connecting Denver & Salt Lake Ry. with Denver & Rio Grande Western R. R. or another westbound railroad; \$11,000,000 Income Mortgage 6% bonds, due 1960, callable at 102 plus the fair amount of unpaid interest due, interest payable in multiples of 1% if earned out of not to exceed 75% of net earnings, issued in reorganization; 50,000 no par value shares of stock, in voting trust to April 1, 1937, issued in reorganization.

In January, 1926, a contract was signed with the Moffat Tunnel Commission for lease of the tunnel for 50 years with option of 49 years additional. The company assumed two-thirds of principal and interest of all tunnel bonds plus \$12,000 annual maintenance. Liability is \$345,900 for the first sixteen years. The company may sublease, and the commission, if the company does not use the tunnel to capacity, may make other leases. The tunnel was expected to be placed in operation during 1927. It will reduce the haul between Denver and Salt Lake City by 173 miles. A connection between the Denver &

Salt Lake line west of the tunnel to meet the Denver & Rio Grande Western R. R. at Dotsero was proposed.

The Moffat Tunnel Commission in July, 1928, filed suit against the Denver & Salt Lake Ry. seeking \$131,137 as rental of the tunnel and damages due June, 1928. It alleged that a lease executed by the Moffat Tunnel District and the D. & S. L. provides for payment of approximately \$345,000 a year in rental 30 days before the date of interest payments of the Moffat Tunnel bonds. Company contended that it had the right under contract to complete the tunnel and charge the costs against the rental, under certain circumstances. Attorneys for the Commission asserted that the tunnel was completed fully before the rental period in question and that the company assumed no charges which properly could be checked against rental.

The Denver & Salt Lake Ry. leases the Northwestern Terminal R. R. for an amount equal to 2% annually on the \$2,217,000 First Mortgage Income bonds and increasing $\frac{1}{2}\%$ for each increase of \$500,000 annually in gross revenues of the lessee until 5% is reached and remaining at 5% thereafter. The terminal properties include 36 acres of terminals in the railroad center of Denver, 102 acres of right of way in the city, and 100 acres of terminals at Utah Junction, 3 miles north of Denver.

The balance sheet as of December 31, 1927, showed \$1,072,703 Current Assets (including \$47,628 Materials and Supplies), and Current Liabilities \$405,529. Profit and Loss credit balance was \$127,490.

INTERNATIONAL-GREAT NORTHERN R. R.

See Table, page 160.

This company is the successor through reorganization (completed 1922) to the International & Great Northern Ry., which in turn succeeded by reorganization the International-Great Northern R. R. The entire stock was purchased in 1924 by New Orleans, Texas & Mexico Ry., a large majority of the stock of which company was acquired in 1924, 1925 and 1926 by Missouri Pacific R. R.

REORGANIZATION IN 1922.

Under date of June 1, 1922, a reorganization plan for the I. & G. N. Ry. was announced, authorizing the following new securities:

\$40,000,000 First Mortgage bonds, of which \$20,000,000 Series A 6% bonds, due 1952, redeemable at 107 $\frac{1}{2}$, were issued in the reorganization (\$11,420,500 in exchange for old securities, \$5,829,500 sold for cash, and \$2,750,000 pledged to secure a \$2,400,000 note to the Government, refunding receivers' certificates). In 1926, \$8,738,000 Series B 5% bonds, due 1956, were issued, \$6,000,000 being sold at 92 $\frac{3}{4}$ to bankers and \$2,400,000 of the proceeds

used to retire the Government loan, and the balance being held in the treasury unpledged.

\$25,000,000 Adjustment Mortgage bonds, cumulative from January 1, 1928, of which \$17,000,000 6s were issued (\$13,452,120 in exchange for the \$11,000,000 5% notes, \$1,084,000 in exchange for First and Refunding 5% bonds and \$2,463,880 sold for cash).

\$7,500,000 common stock (\$4,529,890 for cash and syndicate requirements, \$2,452,120 in respect of defaulted notes, and \$517,990 in respect of the First and Refunding bonds).

The new company received \$4,000,000 in cash for working capital. Funded debt (including \$17,000,000 Adjustment Mortgage bonds) of the new company (December, 1923) was \$36,650,000 against \$26,740,827 of the old company (June 30, 1922). Fixed interest charges were \$1,183,734 in 1923 (not including \$1,020,000 interest required at full rate on Adjustment 6s) compared with \$1,685,055 fixed interest on the old capitalization in 1921.

Until 1928 not less than 50% of net income was required to be applied to interest payments on the Adjustment bonds. From January 1, 1928, interest is cumulative at 6%. On April 1, 1924, 1925, 1926, 1927, and 1928, 4% interest was paid. On October 1, 1928, interest of 3% for the six months ending June 30, 1928, was paid.

STOCK ACQUIRED BY N. O., T. & M. RY.

In June, 1924, the voting trustees holding the capital stock of the International-Great Northern R. R. with consent of the holders of voting trust certificates sold the entire stock issue to the New Orleans, Texas & Mexico Ry. Price paid was \$31 per share of which the voting trustees retained \$1 as commission. The transaction was finally approved unconditionally by the Interstate Commerce Commission in December, 1924.

The N. O. T. & M. Ry. offered to holders of the International-Great Northern Adjustment Mortgage (Income) bonds, Series A 6s, to guarantee not less than 4% interest for the four-year period 1924-1927 in return for an option to purchase the bonds prior to 1928 at 85 and interest and thereafter at 100 and interest. Acceptance of the offer was voluntary on the part of bondholders, and the offer was accepted for only \$777,800 bonds which were redeemed at 85 December 1, 1927.

The St. Louis-San Francisco Ry. in December, 1922, had arranged to purchase the entire stock of the I.-G. N. from voting trustees for \$26.75 a share plus \$1 per share commission, and proposed to guarantee 3% interest on the Adjustment bonds until 6% interest became cumulative (1928) with option to purchase the bonds at 90 to 1928 and at 100 thereafter. The Missouri Pacific R. R. intervened stating that largest freight interchange was with it via the Texas & Pacific Ry. In May, 1923, acquisition by the "Frisco" was denied by the Interstate Commerce Commission.

REORGANIZATION IN 1911.

In 1911, the I.-G. N. R. R. was reorganized. \$10,391,000 Second Mortgage 6% bonds (matured 1909) and \$2,516,644 interest were paid at par with funds raised from sale to bankers of \$11,000,000 5% notes due 1914, \$3,400,000 non-cumulative 5% preferred stock, and \$2,500,000 common stock. The old stock was wiped out. The notes were defaulted principal and interest in August, 1914, and a receiver was again appointed.

GENERAL.

Total 5,632,040 tons of freight handled in 1927 included 1,295,348 (1926, 1,416,833) tons of agricultural products (555,809 cotton and products), 509,187 (1926, 566,255) tons of forest products, and 464,365 (1926, 346,701) tons of petroleum and products.

During receivership August, 1914, to July, 1922, about \$5,000,000 was expended on the property, largely for widening embankments, excavations and ballasting.

As of December 31, 1927, total line owned (1,106 miles) included:

503 miles of 90-pound rail,	396 miles of 75-pound rail,
57 " " 85- " "	13 " " 70- " "
7 " " 80- " "	129 " " 56- " "

(Rail on December 31, 1921, included 14 miles 90-pound, 702 miles 75-pound, 148 miles 56-pound and 127 52-pound rail.)

There were 376 miles (in 1921, 2 miles) ballasted with stone, 261 miles with gravel, 183 miles with shell, 14 miles with screenings, 19 miles with cinders, and 228 miles (1921, 307 miles) unballasted, on December 31, 1927.

A tentative valuation of \$38,178,650 as of June 30, 1917, was placed on the property by the Interstate Commerce Commission in July, 1924.

In January, 1928, \$5,500,000 Series "C" 5% First Mortgage bonds due 1956 were sold to bankers at 99½.

As of December 31, 1927, Current Assets were \$7,442,747 (including \$3,293,305 Material and Supplies) and Current Liabilities, \$6,131,737. Profit and Loss credit balance was \$431,766; there was also \$1,394,350 Surplus "available for capital expenditures and other corporate purposes, but not available for dividends," accumulated in accordance with the Adjustment Mortgage indenture. The balance sheet showed \$12,536,731 deducted from \$67,622,698 Investment in Road and Equipment in adjustment to par value of securities issued in reorganization. In July, 1924, \$1,550,000 was received in cash settlement of a judgment of \$2,088,000 against the Pierce Petroleum Co., in reorganization of the latter.

KANSAS CITY SOUTHERN RY.

See Table, page 161.

The preferred stock is entitled to and is limited to non-cumulative 4% dividends. In July, 1907, 4% (the initial dividend) was paid on this stock. Dividends at the rate of 4% have since been maintained, paid quarterly beginning January. No dividends have been paid on the common stock.

PROPOSED NEW SYSTEM.

In November, 1924, the Kansas City Southern Ry. began accumulating the stock of the Missouri-Kansas-Texas R. R., following a decision to attempt the creation of a new system of railroads in the Southwest and at December 31, 1926, owned 350,000 common shares of Missouri-Kansas-Texas R. R. and had contracted to acquire 100,000 additional owned by St. Louis Southwestern Ry. In 1925, the company acquired 135,000 preferred and 20,000 common shares of St. Louis Southwestern Ry. In 1926, Missouri-Kansas-Texas R. R. contracted to purchase these holdings at cost and paid \$7,000,000 on account.

In July, 1926, application was made to the Interstate Commerce Commission for approval of acquisition by purchase or exchange of stock in these companies additional to existing holdings sufficient to give control. The K. C. S. owned 350,000 shares of M.-K.-T. common stock which cost \$11,479,561 or 32.80 average. An additional 100,000 shares of M.-K.-T. common had been bought at 44.84 average in October, 1925, by St. Louis Southwestern. This stock was purchased in November, 1927, at cost plus interest by the Kansas City Southern Ry. and total holdings were then 450,000 shares. The M.-K.-T. in 1926 contracted to purchase for \$13,613,301 from the K. C. S. 135,000 shares of preferred and 20,000 shares of common stock of St. Louis Southwestern Ry. and paid \$7,000,000 on account. The K. C. S. had purchased 133,480 shares of preferred and 16,280 shares of common stock of St. Louis Southwestern Ry. from the Chicago, Rock Island & Pacific Ry. in October, 1925. Balance sheet December 31, 1927, of K. C. S. showed \$25,268,610 (1926, \$25,092,863) Securities in Course of Acquisition and \$13,830,612 (1926, \$14,076,892; 1925, \$19,337,510) Liabilities and Commitments in connection therewith.

In May, 1927, the Interstate Commerce Commission refused to approve the plan, by a 7 to 4 adverse decision. Control of two larger roads, effected largely upon their credit, by a small road was not considered proper, and interests of minority stockholders and so-called short lines were not regarded as sufficiently safeguarded. Also it was pointed out that traffic interchange of the three roads was not important, in 1925 the K. C. S. exchanging of total interchange 3.2% and 6.4% respectively with M.-K.-T. and St. L. S. W.,

the M.-K.-T. 2.8% and 1.9% with K. C. S. and St. L. S. W., and St. L. S. W. 6.3% and 4.9% with K. C. S. and M.-K.-T. Whether the advantages would outweigh the disadvantages of the grouping from a transportation standpoint, however, the Commission declined to say.

NEW PLAN ABANDONED.

A proposal was submitted in March, 1928, by Missouri-Kansas-Texas R. R. for acquisition of control of Kansas City Southern Ry. and St. Louis Southwestern Ry. by exchange of stocks. At the time the K. C. S. owned 330,900 shares of M.-K.-T. common stock which it would sell prior to consummation of the new plan proposed. Of the total 450,000 shares of M.-K.-T. previously held there were sold 162,384 in the open market. The remaining 287,616 shares were sold to bankers in May, 1928, and K. C. S. common stockholders given the privilege for each 100 shares to purchase from the bankers 96 shares of M.-K.-T. common stock at \$33 per share. Under the new plan, it was proposed that M.-K.-T. should complete the purchase of this stock for \$13,613,301 cash plus interest from July 23, 1926; also that M.-K.-T. should exchange one share of a new issue of 5% cumulative preferred stock and \$5 cash for one share of preferred and $2\frac{1}{4}$ shares of common stock for one share of common stock of St. Louis Southwestern Ry. and $\frac{9}{10}$ of one share of new 5% preferred stock for one share of preferred and $1\frac{1}{2}$ shares of common stock for one share of common stock of Kansas City Southern Ry. In October, 1928, the application to consummate the plan was withdrawn. Previously the Government had cited K. C. S. and M.-K.-T. for violation of the anti-trust law in acquisition of the stocks of competing companies without Interstate Commerce Commission approval.

VALUATION.

The Kansas City Southern was the first carrier to be served with a tentative valuation by the Interstate Commerce Commission; and this company undertook to bring more or less of a test case. The first figures (as of June 30, 1914) were announced by the Commission on December 1, 1916, showing Cost of Reproduction New \$46,089,147 plus Present Value of Lands \$4,212,586, a total value of \$50,301,733. In protest, the carrier claimed a total value of between \$75,000,000 and \$80,000,000 based on earning power. The Commission was ordered by the Supreme Court to reconsider, ascertaining the so-called excess cost of acquisition of lands by purchase or condemnation over "present value." In 1922 the Valuation Act was amended to dispense with finding "excess cost." In a supplemental tentative valuation served March 31, 1921, a single value of \$49,485,907 for the System properties was given. The management claimed that this figure should be increased to \$80,000,000 while the Cost of Reproduction New, \$51,229,168 found by the Commission, should be raised to \$80,227,940, and Original or Investment Cost from \$47,947,011

to \$63,197,071. In June, 1924, the Interstate Commerce Commission announced a final "single sum" value of \$49,016,268 for total used carrier property as of June 30, 1914. This value would be used for rate-making purposes. The company in 1926 succeeded in obtaining from the U. S. District Court at Kansas City a decision setting aside the valuation reported. The court held that the Commission had failed to comply with the Valuation Act in finding a value "for rate-making purposes" instead of actual value, and in not ascertaining original cost, allowing for intangible value, etc. An appeal was dismissed by the Supreme Court in 1927 for want of jurisdiction. In May, 1927, the Supreme Court in the Los Angeles & Salt Lake Ry. case had held that until some use had been made of valuation it was not subject to review in the courts.

FINANCE.

Under date of July 1, 1909, the company paid off outstanding notes aggregating \$5,100,000, and created \$21,000,000 Refunding and Improvement bonds, bearing interest at not exceeding 5%, due April 1, 1950, and secured by all the property and franchises of the company owned and subsequently acquired, subject to the existing liens thereon. Of this issue there were sold: \$15,000,000 prior to June 30, 1911; \$1,500,000 in 1912-13, \$500,000 in 1914-15 and \$1,000,000 in 1915-16. From sale of these \$18,000,000 bonds, there was realized \$17,232,317, and after retiring the \$5,100,000 notes the amount remaining had been invested, together with \$8,683,782 surplus earnings (1900-1922) in the property. In January, 1925, \$3,000,000 additional bonds were sold at 88 to bankers.

In March, 1926, \$10,000,000 Texarkana & Fort Smith Ry. First Mortgage 5½% bonds, due 1950, guaranteed principal and interest by Kansas City Southern Ry., were sold at \$250,000 discount. Proceeds were applied \$5,591,000 for redemption of First Mortgage bonds which matured April 1, 1923, and balance for additions and betterments. The T. & F. S. Ry. is part of the K. C. S. system. The bonds are first mortgage (total \$15,000,000 authorized) on property of the company, consisting of 186 miles of first main track in Texas and Arkansas, and are its only funded debt.

In September, 1923, \$2,000,000 Port Arthur Canal & Dock Co. First Mortgage 6% bonds, due 1953, guaranteed by endorsement by the Kansas City Southern Ry., were sold. It was then stated that the Texas Railroad Commission placed a valuation of \$2,736,050 on property of the company which owns 7,407 feet of wharfage, with minimum water depth 26 feet, at Port Arthur. The property was leased to 1953 to the Kansas City Southern. Proceeds of the issue were towards retiring a \$1,000,000 first mortgage, reimbursing in part the K. C. S. for \$976,619 advances, and improvements, including a new grain elevator to cost \$480,000. Capacity of the grain elevator is 500,000 bushels. In February, 1925, \$500,000 additional bonds (Series B) were sold to bankers at 96¾.

GENERAL.

The Kansas City Southern Ry. controls by virtue of its ownership of securities, all the property of the Port Arthur Canal & Dock Co., the K. C. S. Elevator Co. (operates a grain elevator, 1,070,000 bushels capacity, in Kansas City, Mo.), the Kansas City, Shreveport & Gulf Terminal Co. (depot property at Shreveport), the Arkansas Western Ry. Co. (32 miles), and the Kansas and Missouri Ry. and Terminal Co. (switching line in Kansas City, Kan., purchased in 1924, owning Union Land Co., which owns 126 acres suitable for industrial sites, and the Industrial Land Co., which owns 365 acres in the northeastern part of Kansas City).

With these subsidiaries the Kansas City Southern in 1927 showed a net income of \$1,904,682 against \$1,897,667 for the company proper.

Main line, 777 miles, on December 31, 1927, contained 89 miles 100-pound rail, 680 miles 85-pound rail, 7 miles 80-pound rail and 1 mile lesser weight rail. Ballast in 773 miles was 6 inches or more below ties.

Of 7,951,076 tons of freight carried in 1927 (8,090,227 in 1926; 7,303,324 in 1925; 6,958,838 in 1924) there were 3,631,403 (3,961,624 in 1926; 3,936,864 in 1925; 4,024,117 in 1924) originated on the company's line. Total included 812,301 (1926, 836,713; 1925, 778,181; 1924, 709,242) tons of bituminous coal, 1,340,277 (1926, 1,492,071; 1925, 1,462,389; 1924, 1,573,434) tons of forest products, 1,131,613 (1926, 837,836; 1925, 600,549; 1924, 418,273) tons of crude petroleum, and 1,992,462 (1926, 1,930,996; 1925, 1,611,289; 1924, 1,388,605) tons of refined petroleum.

The balance sheet as of December 31, 1927, showed \$6,590,081 Current Assets (including \$2,272,132 Material and Supplies), and Current Liabilities, \$4,261,002. Profit and Loss credit balance was \$15,839,999, and Appropriated Surplus, \$1,136,597.

MIDLAND VALLEY R. R.

See Table, page 162.

An initial dividend of 2½% was paid on the preferred stock (\$50 par) June 1, 1923. An initial dividend of 2½% was paid on the common stock (\$50 par) April 15, 1925. Like payments semi-annually have been continued. In December, 1923, all the company's securities were admitted to regular trading on the Philadelphia Stock Exchange.

Outstanding obligations on December 31, 1927, were \$6,315,000 First Mortgage 5% bonds due 1943 (\$15,000,000 authorized) and \$5,500,150 Adjustment Mortgage Income bonds, due 1953. The Income bonds, \$3,503,950 Series A and \$1,996,200 Series B (Series B subject to Series A) bear non-cumulative interest up to 5% if earned, have a second lien on all property secured by the First Mortgage, and are redeemable at par. The company in 1924 sold \$667,000 First Mortgage 5% bonds at 83 average

price and in 1925 sold \$124,000; \$400,000 bonds representing betterments prior to 1924 were in the treasury December 31, 1926. In March, 1927, the company proposed to sell \$198,000 First 5s at 90 or better. Issuance was approved by the Interstate Commerce Commission and these bonds are held in the treasury.

In September, 1917, 3% was paid on the A Adjustments and in October, 1918, 4%. In September, 1919 and 1920, 3% was paid. On September 1, 1921, 5% was paid on the A bonds and a like amount on the B, being the first payment made on the latter. Full interest has been paid on both classes in each year since.

MUSKOGEE CO.

Stockholders of Midland Valley R. R. in September, 1925, were offered 40,000 shares of Muskogee Co. at \$50 a share to extent of 17% of holdings. The Muskogee Co. was organized as a holding company to control the reorganized Kansas, Oklahoma & Gulf Ry. (the Midland Valley R. R. owns 38½%, its interest being represented by ownership of 16,600 shares of the Muskogee Company) and in 1927 owned approximately 93% of its stocks. In 1926, \$1,999,000 First Mortgage 6% bonds (\$4,000,000 authorized) of the K., O. & G. Ry. were sold at par and the remainder of the authorized issue pledged for \$1,410,000 Government loan. The company also had outstanding \$8,797,300 preferred stock convertible for common at the end of any year. The 321 miles of main track operated by Kansas, Oklahoma & Gulf Ry. connect with and cross the main line of Midland Valley R. R. at Muskogee.

READJUSTMENT IN 1913.

The two classes of bonds and \$4,006,500 each of common and 5% preferred stock (\$16,000,000 and \$5,000,000 respectively authorized) were issued February 1, 1913, by the Midland Valley R. R. under a plan of readjustment. The company at that time had a floating debt of over \$500,000, and had outstanding bonds and notes as follows: Prior Lien 5% bonds, \$6,000,000; Wichita & Midland Valley R. R. First Mortgage 5% bonds, \$1,025,000; 6% notes \$1,800,000; also \$8,013,000 stock (owned by Cherokee Construction Co.).

The holders of the Prior Lien and W. & M. V. 5% bonds received for each \$1,000 bond \$450 in cash and \$500 in Adjustment Mortgage bonds while the noteholders received for each \$1,000 note \$1,000 in Series B Adjustment bonds and \$750 in preferred stock. \$200,000 Series B Adjustment bonds, the balance of the \$4,006,500 preferred stock and the \$4,006,500 common was all (with the exception of \$1,760,000 preferred stock issued to creditors of the M. V. R. R. holding \$1,760,000 old common stock) issued to the Cherokee Construction Co. in exchange for old stock, claims, etc. The cash necessary to pay bondholders, to pay off floating debt and to make improvements was raised by the sale of the \$5,000,000

First Mortgage bonds as above. The Cherokee Construction Co. formerly held an option to purchase all outstanding preferred stock (par \$50) at \$27.50 per share but it was not exercised. Voting trust under which the stock was held expired May 10, 1923, and the stock was distributed.

MISCELLANEOUS.

During 1927, the Midland Valley R. R. acquired such stock of the Wichita & Midland Valley R. R. as was outstanding, resulting in entire ownership of the bonds and stocks of the company.

The Midland Valley R. R. (including W. & M. V. R. R., 50 miles, leased) operates a line of road from Wichita, Kan., in a southeasterly direction, via Arkansas City, Kan., Tulsa and Muskogee, Okla., to Hoya, Ark., with branches to Fort Smith, Ark., etc. (total mileage 364 miles, including trackage).

Tentative valuations as of June 30, 1919, have been served, \$10,750,000 for Midland Valley R. R. and \$975,185 for Wichita & Midland Valley R. R.

The company owns all the \$1,241,500 bonds and \$250,000 stock of Sebastian County Coal & Mining Co. (pledged under the First Mortgage) which owns about 18,500 acres of coal land.

Of 2,852,016 tons carried in 1927 (2,944,530 in 1926), 1,164,189 were petroleum and other oils and 407,992 crude petroleum, etc. (1,314,013 and 502,596 in 1926).

As of December 31, 1927, Current Assets were \$1,195,001 (including \$357,604 Material and Supplies) and Current Liabilities were \$763,630. Credit balance to Profit and Loss was \$1,951,968 (Appropriated Surplus, \$469,695) as compared with a debit balance of \$1,280,404, December 31, 1917.

MISSOURI-KANSAS-TEXAS R. R.

See Table, page 163.

On September 27, 1915, receiver was appointed for the Railway Co. A reorganization plan in January, 1922, was made operative, and on April 1, 1923, the new corporation assumed operation of the property.

FIRST PROPOSED UNIFICATION.

In July, 1926, Kansas City Southern Ry. owned 350,000 shares of common stock of this company and had contracted to acquire 100,000 additional owned by St. Louis Southwestern Ry. Average cost was 32.80 for the 350,000 shares and 44.84 for the 100,000 shares. In November, 1927, the 100,000 shares were sold at cost plus interest by St. Louis Southwestern Ry. to Kansas City Southern Ry. During 1926, the Missouri-Kansas-Texas R. R. contracted to purchase from the K. C. S. 135,000 preferred and 20,000 common shares of St. Louis Southwestern Ry. at cost of \$13,613,301 and paid \$7,000,000 on account. It was proposed to form an "association" of the three

companies without actual consolidation. In May, 1927, the Interstate Commerce Commission disapproved the Kansas City Southern proposals. In 1928 the Government brought suit under the anti-trust law against K. C. S. and M.-K.-T. for acquisition of the stock of competitors.

SECOND PLAN ABANDONED.

A plan was announced in March, 1928, by Missouri-Kansas-Texas R. R. for acquisition of control by exchange of stocks of Kansas City Southern Ry. and St. Louis Southwestern Ry. A new issue of 5% cumulative preferred stock, series B, was to be offered at the rate of one share and \$5 cash for one share of St. Louis Southwestern Ry. preferred and 9/10 of one share for one share of Kansas City Southern Ry. preferred stock. Common stock was to be offered at the rate of $2\frac{1}{4}$ shares for one share of St. Louis Southwestern Ry. common and $1\frac{1}{2}$ shares for one share of Kansas City Southern Ry. common stock. Total issuance of 252,936 $\frac{1}{2}$ shares of preferred and 772,410 $\frac{3}{4}$ shares of common stock was involved. Purchase of holdings of St. Louis Southwestern Ry. stocks by Kansas City Southern Ry. was to be completed by Missouri-Kansas-Texas R. R.

Following the disapproval of the first plan for unification, Kansas City Southern Ry. began to sell its total holdings of 450,000 common shares of Missouri-Kansas-Texas R.R. stock, and disposal was completed in May, 1928, when 287,616 shares remaining were sold to bankers, subject to right given to Kansas City Southern Ry. common stockholders to purchase the stock from them at the rate of 96 shares for each 100 owned at \$33 per share.

In October, 1928, the plan was abandoned. In behalf of Missouri-Kansas-Texas R. R. it was stated: "The company feels that any plan, in order to be successful before the Commission and with the stockholders of the various companies, would have to be developed in the light of changed conditions and with the concurrence of all carriers involved."

PRESENT CAPITALIZATION.

As of December 31, 1927, there were outstanding 809,120 shares of common stock, \$45,884,623 preferred stock, \$34,395,567 Adjustment bonds, \$11,536,250 4%, \$36,734,929 5%, and \$12,894,578 6% Prior Lien bonds, and \$31,366,000 underlying bonds of the old company, undisturbed in reorganization (principally \$30,709,000 1st 4s due 1990). In 1925 \$4,750,000 6% notes issued originally to the Government in 1923 were redeemed without refunding. The outstanding 6% Prior Lien bonds in amount of \$12,894,578 were redeemed at 102 $\frac{1}{2}$ on February 1, 1928, and \$13,600,000 Prior Lien Series D 4 $\frac{1}{2}$ % bonds were sold at 97 $\frac{1}{4}$ to bankers.

There had been \$21,414,100 Adjustment Mortgage bonds converted into preferred stock at par to December 31, 1927, including \$3,380,900 during 1926 and \$16,430,200 during 1927.

In April, 1923, 5% was paid on the Adjustment bonds for the year 1922 and interest payments have been continued semi-annually, April and October. In February, 1925, quarterly dividends were commenced at a 5% rate on the preferred stock and in May, 1926, the rate was increased to 6%. A dividend of 1% was paid December 31, 1927, so that further payments would run from January 1, 1928, when dividends became cumulative at 7% annually. The full rate of 7% has been paid beginning 1928.

In addition to outstanding securities described above, the reorganization managers held various amounts of bonds and stocks, of which the balances unused are to be returned to the company.

MISCELLANEOUS.

Freight tonnage was 23.71% refined petroleum and products in 1927, 22.69% in 1926.

Owned system main track, 3,031 miles, on December 31, 1927, contained:

788 miles of 90-pound rail,					258 miles of 65-pound rail,				
1,096	"	"	85-	"	70	"	"	63-	"
69	"	"	77½-80	"	134	"	"	60-	"
69	"	"	75-	"	153	"	"	56-	"
316	"	"	66-	"	78	"	"	52-	"

At December 31, 1927, Current Assets were \$19,686,773 (including \$7,000,000 Special Deposit against Purchase of Securities and \$6,350,302 Material and Supplies) and Current Liabilities were \$8,511,568. Not included in Current Assets were \$1,141,988 book value of U. S. Government securities. Credit balance to Profit and Loss was \$20,543,285, allowing as a liability \$29,537,344 Reorganization Suspense and allowing \$66,687,650 liability for 809,120 common shares held by public, 82.42 per share.

RECEIVERSHIP.

To refund \$16,000,000 two-year notes at maturity and for other purposes, the company issued \$19,000,000 5% notes due May 1, 1915. At maturity, the company requested the noteholders to accept, in lieu of cash, par in 6% one-year notes. Holders of about 95% of the notes accepted the proposal as did holders of \$2,733,250 short time bank loans. Suits having been brought against the company by noteholders not assenting to the extension of the notes and other suits having been threatened, it was decided, September 27, 1915, to place the company in the hands of a receiver.

The company defaulted on a large majority of its bonds, including the First Mortgage bonds. To December 31, 1921 (reorganization plan operative January, 1922), interest in default totalled \$23,996,175; interest deferred totalled \$1,037,850; and sinking fund defaulted \$3,509,150.

REORGANIZATION TERMS.

Under date of November 1, 1921, a plan and agreement of reorganization of the Missouri, Kansas & Texas Ry. Co. was announced. On January 11, 1922, this plan was declared operative.

The new company was authorized to issue the following securities: \$250,000,000 Prior Lien Mortgage bonds, \$100,000,000 Convertible Adjustment Mortgage bonds, cumulative after January 1, 1925, \$200,000,000 preferred stock, cumulative after January 1, 1928, and 2,500,000 shares (no par) of common stock.

The plan provided for immediate issue of the following:

\$52,942,752 Prior Lien series A 5% 40-year, redeemable at 105.

\$27,236,000 Prior Lien series B 4% 40-year, redeemable at 100.

\$12,894,570 Prior Lien series C 6% 10-year, redeemable at 102½.

\$57,500,000 Adjustment 5%, convertible into pfd. stock at par prior to January 1, 1932.

\$24,500,000 preferred stock series A 7%, redeemable at 110.

783,155 shares of common stock.

Estimated requirement of cash under the plan was \$18,420,000, provided by assessment of \$20 a share on old preferred and \$25 a share on old common stock.

Obligations of the old company as of January 1, 1922, amounted to \$146,543,142, fixed interest charges on which were \$6,808,123 annually and sinking fund charges for 1922, \$61,253. Bonded debt after reorganization was estimated at \$157,820,913, including \$57,500,000 Adjustment bonds, with annual fixed interest charge of \$4,917,717, and including contingent interest on the Adjustment bonds, of \$7,792,717.

Properties covered by mortgages securing the following bonds were not included in the reorganization:—

\$2,347,000 Texas & Oklahoma R. R. Co. 1st 5s.

\$1,689,000 Sherman, Shreveport & Southern Ry. Co. 1st 5s.

\$833,000 Beaumont & Great Northern R. R. Co. 1st 5s.

\$210,000 Houston & Brazos Valley Ry. Co. 1st 5s.

Securities of the new company were issued in 1923.

A hearing was held before an Interstate Commerce Commission examiner in September, 1924, in the matter of the reasonableness of proposed compensation of reorganization managers and counsel. Payments proposed amounted to \$2,364,249 of which \$750,000 was for counsel fees. In testimony for the Commission it was stated that compensation to reorganization managers in several reorganizations had been as follows per \$1,000 par value of securities involved: Missouri-Kansas-Texas R. R. \$7.43; Wabash Ry. \$4.87; Northern Pacific Ry. \$4.57; Missouri Pacific R. R. \$3.46; Union Pacific R. R. \$3.02; St. Louis-San Francisco Ry. \$2.98; and Southern Ry. \$0.32.

In July, 1925, the Commission ordered compensation reduced to \$1,500,000 including \$600,000 for counsel fees. Remainder of the fund which had been set aside was returned to the company.

HISTORICAL.

In May, 1906, an initial semi-annual dividend of 2% was paid on the preferred stock of the old company. The preferred stock was limited to non-cumulative dividends of 4% per annum. Dividends at that rate were paid from 1906 to 1913, inclusive.

In 1910, practically all of the stock of the Texas Central R. R. was purchased. On December 31, 1922, all except \$17,700 of the \$1,325,000 preferred stock and \$2,675,000 common stock was owned by the Missouri, Kansas & Texas Ry. The \$2,000,000 bonds of the Texas Central R. R. (matured 1923) were assumed by the Missouri, Kansas & Texas Ry., and since July 1, 1910, the operations of that company have been merged with those of the latter. The Texas Central R. R. extends from Waco, Texas, westward, via Stamford, to Rotan, Texas, with a branch (309 miles).

In 1911, the Missouri, Kansas & Texas Ry. purchased the entire \$2,000,000 capital stock of the Wichita Falls & Northwestern Ry., which company owned the Wichita Falls & Southern Ry. The Missouri, Kansas & Texas Ry. assumed the bonds of this company, aggregating \$7,902,000 (\$1,290,000 owned by M., K. & T. Ry. mostly pledged). The W. F. & N. W. Ry. operated on December 31, 1922, a system of railways, aggregating 329 miles. These lines are located in Northern Texas and in Oklahoma, and connect with the Wichita Falls (Texas) division of the Missouri, Kansas & Texas Ry.

The operations of the Wichita Falls Lines have been included in the System's earnings since November 1, 1912.

MISSOURI PACIFIC R. R.

See Table, page 164.

The 5% preferred stock issued in reorganization in 1917 became cumulative July 1, 1918, and to July 1, 1928, 50% dividends had accumulated. The preferred stock is convertible into common stock share for share. In October, 1927, a committee of directors was appointed to study the problem of dealing with the dividend accrual.

During 1924 Missouri Pacific R. R. (7,361 average miles operated in 1927) acquired control of New Orleans, Texas & Mexico Ry., which owns the entire stock of International-Great Northern R. R. (total 2,260 miles, both roads), a majority of the stock of Texas & Pacific Ry. (2,015 miles), and a half interest in Denver & Rio Grande Western R. R. (2,574 miles). Excluding the latter, the four companies operated December 31, 1927, a system of 11,671 miles of main line.

SECURITIES OWNED.

Stocks and bonds owned by Missouri Pacific R. R. on December 31, 1927, included:

(a) New Orleans, Texas & Mexico Ry. stock.....	\$13,160,500
(b) Texas & Pacific Ry. common stock.....	18,960,000
(b) Texas & Pacific Ry. 5% non-cum. pfd. stock.....	23,703,000
(b) Texas & Pacific Ry. 2nd Mtge. Income bonds.....	5,000
(c) Denver & Rio Grande Wstn. R. R. common stock 150,000 shares	
Denver & Rio Grande Western R. R. 6% cum. pfd. stock.	\$608,800
D. & R. G. W. R. R. 6% Ref. & Imp. Mtge. bonds.....	1,000,000
(c) Utah Fuel Co. stock.....	5,000,000

(a) Purchased in 1924, 1925, and 1926 by issuance at rate of \$120 for \$100 stock of \$15,792,600 7% notes of which \$2,400,940 were acquired by the company in 1925 and \$1,036,000 cancelled for sinking fund, and \$160 acquired in 1926. Book value of stock owned, \$15,787,200. Late in 1926 the \$13,391,500 7% notes were refunded with \$13,156,000 5¼% notes.

(b) In 1927, \$3,960,000 and in 1926, \$5,000,000 common stock was purchased. Book value of \$11,000,000 common stock is \$2,401,086. In 1924 the preferred stock was received in exchange for income bonds at par in T. & P. readjustment. The income bonds were acquired on basis of \$650 Unifying and Refunding bonds for \$1,000 income bonds. No interest was paid on income bonds after 1908. The preferred stock has equal voting right with common. The serial notes were all redeemed in 1927.

(c) Purchased in 1924, for \$9,000,000 from Western Pacific R. R. Corporation, representing a half interest. Formerly Missouri Pacific owned a large amount of common stock (\$10,000,000 in 1921) of the D. & R. G. R. R. which did not participate in reorganization. During 1925 there were disposed of \$1,719,700 5% General Mortgage bonds and \$340,000 6% preferred stock of the D. & R. G. W.

Book value of investments in affiliated companies at end of 1927 was \$64,114,105, including \$8,112,943 advances. Of these investments \$26,807,971 were unpledged, including the advances.

TEXAS & PACIFIC RY.

The Missouri Pacific R. R. intervened in the Texas & Pacific Ry. receivership suit, claiming certain arrears of interest on the income bonds and notes. The courts sustained the claim in part and in settlement Missouri Pacific received \$4,440,583 6% serial notes in the 1924 readjustment of Texas & Pacific Ry. By exchange of income bonds for voting preferred stock control of the property was also obtained. In 1927 the 6% serial notes were all redeemed by Texas & Pacific Ry. with part of the proceeds from a refunding bond issue.

NEW ORLEANS TERMINAL.

Jointly with Texas & Pacific Ry., the Missouri Pacific R. R. controls the Texas Pacific-Missouri Pacific Terminal R. R. of New Orleans. Valuable terminals are owned in New Orleans, also terminals and a large acreage at Westwego near that city. In September, 1924, \$5,000,000 First Mortgage 5½% bonds, due 1964, were sold, guaranteed principal and interest by the two proprietor companies. (See also under Texas & Pacific Ry.)

PURCHASE OF N. O., T. & M. RY. STOCK.

Announcement was made in May, 1924, that Missouri Pacific R. R. had agreed to purchase from bankers \$3,750,000 stock of the New Orleans, Texas & Mexico Ry. together with an option on \$3,900,000 additional stock, in exercising which Missouri Pacific also agreed to purchase from the bankers all other stock tendered by stockholders. A total of \$8,676,600 stock was acquired in 1924, \$4,309,100 additional in 1925, and \$174,800 in 1926, making a total of 87.7% of the stock of that company.

Purchase price for all the stock was \$120 per share, paid in 15-year 7% sinking fund notes of which \$15,582,840 were issued. In 1925 the company reacquired \$2,400,940 notes. The notes were secured by pledge of stock acquired, and indenture provided for continuance of existing divisions of through rates as between Missouri Pacific and N. O., T. & M., and for maintenance of roadway and equipment of the N. O., T. & M. in as good condition as at date of the indenture. In the case of stock tendered by stockholders through bankers, the latter received as a commission 5% of each \$120 in Missouri Pacific notes, stockholders accordingly receiving \$114 par value of notes for each share of stock. Late in 1926, \$13,156,000 5¼% notes, due serially \$506,000 each December 1, 1931 to 1956, were sold to refund \$13,391,500 outstanding 7% notes which were called for payment January 17, 1927.

Conditional approval was given by the Interstate Commerce Commission in June, 1924, to purchase of the entire stock issue of the International-Great Northern R. R. by the New Orleans, Texas & Mexico Ry. (See that company.)

INTEREST IN THE "DENVER."

In accordance with the plan for reorganization of the Denver & Rio Grande Western R. R. dated June 15, 1923, and modified February 29, 1924, Western Pacific R. R. Corporation sold to Missouri Pacific R. R. for \$9,000,000 a half interest in the common stock of the Reorganized Co. and a half interest in the Utah Fuel Co. (ownership in the latter subject to restrictions under the plan), and Missouri Pacific R. R. purchased \$1,000,000 Refunding and Improvement 6% bonds of the Reorganized Co. In exchange for

First and Refunding bonds of the old company, Missouri Pacific R. R. also received \$948,800 6% preferred stock and \$1,719,700 General Mortgage (income) 5% bonds of the Reorganized Co., these securities being disposed of during 1925 except \$608,800 preferred stock. (See under the D. & R. G. W. for the plan in detail.)

BONDS AND NOTES SOLD.

In 1903, \$20,000,000 of an authorized issue of \$50,000,000 "Iron Mountain," River & Gulf Divisions, First Mortgage 4% bonds were sold. Proceeds were used to purchase additional terminal properties in St. Louis and East St. Louis, and to acquire and construct 677 miles of railroad comprising a system extending from St. Louis along the east side of the Mississippi River to Thebes, Ill., and on the west side of the river, via West Memphis, to the Texas & Pacific Ry. connection at Clayton, and by means of this connection completing (in 1905) a Valley Railroad System from St. Louis to New Orleans. The \$34,548,000 bonds outstanding under this closed mortgage are a first lien on 782 miles of road.

In 1922, a total of \$23,500,000 First and Refunding Mortgage Series D 6% bonds were sold, of the proceeds from which \$13,641,000 was applied to retirement of maturing bonds.

In June, 1924, an issue of \$12,000,000 three-year 5% notes was sold. Proceeds were to reimburse the company in part for expenditures for additions and betterments, not previously capitalized, made on properties subject to the First and Refunding Mortgage, and amounting to over \$28,000,000 since December 31, 1920. The notes were secured by pledge of \$15,500,000 First and Refunding Mortgage 6% bonds.

In 1924, \$700,000 First and Refunding Mortgage 6% bonds were issued in purchase of terminal property from Kansas City Northwestern Ry., \$100,000 being subsequently returned as a distribution by the K. S. N. Ry., of which Missouri Pacific is part owner.

In April, 1925, \$25,000,000 First and Refunding Mortgage 6% bonds Series E were sold at 96¾ to bankers, proceeds being applied to retirement of \$9,044,000 Series C 5% bonds on August 1 and general purposes.

The First and Refunding Mortgage is authorized in amount of \$450,000,000. It is a first lien on 3,409 miles of road and a junior lien on other assets. At the close of 1927, \$112,840,500 5% bonds Series A and F were outstanding. In addition, \$13,968,000 Series F 5% bonds were in the treasury unpledged.

In October, 1928, \$25,000,000 series G 5% First and Refunding Mortgage bonds, due 1978, redeemable at 105 from November 1, 1933 to November 1, 1973, were sold for general purposes.

REFUNDING IN 1927.

In January, 1927, \$95,000,000 First & Refunding 5% bonds Series F due 1977 were sold at 97¼ to bankers. From the pro-

ceeds were redeemed \$25,000,000 Series E 6% bonds May 1, \$24,101,500 Series D 6% bonds August 1, \$8,229,760 6% notes held by the Government, and \$12,000,000 5% notes at maturity July 1, a total \$69,331,260 bonds or notes being refunded at \$573,313 annual interest saving without regard to premium on bonds redeemed and discount on bonds sold. Profit and Loss was charged \$2,845,078 in 1927 for debt discount extinguished.

GENERAL.

Of 38,665,636 tons of freight carried in 1927 (41,761,665 in 1926), 5,144,098 were petroleum and products (5,946,687 in 1926), 6,735,641 were bituminous coal (7,679,413 in 1926), and 6,606,122 were agricultural products (6,883,017 in 1926).

The Land Department reported 313,766 acres of land owned and unsold December 31, 1927.

Weight of rail in main, branch and additional track (total 7,324 miles) December 31, 1927, compared with 1917 (in percentage of total miles) as follows:

	1927 %	1917 %
100-lb. rail.....	2.78	3.50
90-lb. rail.....	23.57	10.00
85-lb. rail.....	36.16	35.20
80-lb. rail.....	0.53	0.39
75.5-lb. rail.....	0.31	0.67
75-lb. rail.....	8.07	11.64
70-lb. rail.....	0.86	1.18
60-65-lb. rail.....	7.91	8.72
56-lb. and under.....	19.81	26.95

Of main lines (3,387 miles) 5.60% were laid with 100-lb. rail, 43.94% with 90-lb., and 48.30% with 85-lb. rail. Main lines were 97.25%, and branch lines 73.60% ballasted.

The balance sheet as of December 31, 1927, showed Current Assets of \$24,034,270 (including \$12,235,839 Material and Supplies) and Current Liabilities of \$27,021,672 (including \$7,000,000 Loans and Bills Payable). Credit balance to Profit and Loss was \$48,988,319 and Appropriated Surplus \$923,883.

HISTORICAL.

From January 1, 1901, to July 1, 1907, cash dividends were regularly paid at the rate of 5% per annum. The regular semi-annual dividend of 2½% was paid in January, 1908, in stock, \$1,945,450 capital stock having been issued for that purpose. In July, 1908 the dividend was passed.

On August 17, 1915, receiver was appointed for the Missouri Pacific Ry. and the St. Louis Iron Mountain & Southern Ry. On June 1, 1917, the receiver was discharged and the two properties reorganized as the Missouri Pacific R. R.

The new company, Missouri Pacific Railroad Co., took over the properties for operation June 1, 1917, at which time there were issued the following securities:

General Mortgage 4% bonds.....	\$51,350,000
First and Refunding Mortgage 5% bonds.....	46,923,000
Preferred stock (5% cumulative after July 1, 1918).....	71,800,100
Common stock	82,839,500

These securities were in addition to \$125,461,620 outstanding underlying bonds and \$3,683,000 equipment obligations.

The \$82,839,585 old stock was assessed \$50 a share, receiving an amount of new General Mortgage bonds equal to the assessment paid. Cash requirements of the reorganization plan were \$41,419,792, partly applied in paying off \$27,043,000 notes and equipment obligations.

NEW ORLEANS, TEXAS & MEXICO RY.

See Table, page 165.

An initial dividend was paid December 1, 1920, and was maintained at the rate of 6% payable quarterly to March 1, 1923, when a quarterly dividend was paid at the rate of 7%, which has been continued. In addition to the regular quarterly payment, June 2, 1924, an extra dividend of 16½% (including 12% in warrants maturing 6% September 1 and 6% December 1, 1924) was paid.

CONTROL BY MISSOURI PACIFIC R. R.

Concurrently with declaration of a 16½% extra dividend, as above, announcement was made in May, 1924, that Missouri Pacific R. R. had agreed to purchase from bankers \$3,750,000 N. O., T. & M. Ry. stock and an option on \$3,900,000 additional. In exercising the option, Missouri Pacific R. R. also agreed to purchase from the bankers all stock tendered by N. O., T. & M. stockholders. There was purchased \$8,676,000 stock in 1924, \$4,309,100 in 1925, and \$174,800 in 1926. Purchase price was in each case \$120 per share, paid in 15-year 7% notes, secured by pledge of stock acquired. At the close of 1927, \$13,160,500 or 87.7% of total stock was owned, all excepting \$4,500 being pledged. The indenture provided for continuance of existing divisions of through rates as between N. O., T. & M. and Missouri Pacific, and for maintenance of roadway and equipment of the N. O., T. & M. in as good condition as at date of the indenture. In the case of stock tendered by stockholders through bankers, the latter received as commission 5% of each \$120 in Missouri Pacific notes, stockholders consequently receiving \$114 par value of notes for each share. In April, 1925, Missouri Pacific offered to purchase additional shares for \$120 in 7% notes without commission to bankers. Late in 1926 the 7% notes were refunded with a 5¼% issue.

PURCHASE OF INTERNATIONAL-GREAT NORTHERN R. R. STOCK.

Following an agreement made in February, 1924, and approved with qualifications by the Interstate Commerce Commission in June, the voting trustees holding the capital stock of the International-Great Northern R. R., with consent of the holders of voting trust certificates, in June, 1924, sold the entire \$7,500,000 stock to the New Orleans, Texas & Mexico Ry. Price paid was \$31 per share from which the voting trustees retained \$1 as commission. The sale was finally approved unconditionally by the Interstate Commerce Commission in December, 1924. The N. O., T. & M. Ry. offered to holders of the International-Great Northern Adjustment Mortgage (Income) bonds, Series A 6s, to guarantee not less than 4% interest for the four year period 1924-1927, in return for an option to purchase the bonds prior to 1928 at 85 and interest and thereafter at par and interest. Acceptance of the offer was voluntary on the part of bondholders. There were \$777,800 bonds guaranteed and on December 1, 1927, purchased at 85; these bonds at the close of 1927 were held free in the treasury at \$661,130 cost and book value.

RECENT FINANCING.

Stockholders in February, 1924, authorized increase in the capital stock from \$15,000,000 to \$25,000,000 and approved issuance of \$1,500,000 as a 10% stock dividend. Subsequently, however, it was decided not to pay the stock dividend. A new First Mortgage of \$50,000,000 was also authorized, \$7,500,000 bonds of which were to be reserved for refunding First Mortgage bonds and \$13,500,000 for refunding the Income bonds.

In May, 1924, \$7,734,000 new First Mortgage 5½% bonds, due 1954, were sold. Enough of the proceeds were deposited with the trustee of the old First Mortgage to provide for \$5,733,000 6% bonds then outstanding thereunder due October 1, 1925, together with interest to maturity, thereby obtaining release of the old mortgage. The remainder of proceeds was applied in partial reimbursement for cost of acquisition of the Houston & Brazos Valley Ry. (see below). An additional \$2,784,000 were sold in October, 1924 (proceeds for retirement of \$2,578,903 equipment notes), and \$3,752,000 were sold in March, 1925. In 1925 and 1926, \$3,200,000 First Mortgage Series B 5% bonds were issued in connection with the acquisition of the securities of approximately 424 miles of railroads, all in Texas. These were the San Antonio, Uvalde & Gulf R. R. (\$280,000 stock, \$4,413,000 bonds owned in 1927), Sugar Land Ry. (\$250,000 stock, \$384,000 bonds in 1927), Asherton & Gulf Ry. (\$75,000 stock, \$200,000 bonds), Asphalt Belt Ry. (\$20,000 stock, \$32,750 advances in 1927), and Rio Grande City Ry. (\$22,000 stock, \$332,593 advances in 1927). In July, 1926, \$4,600,000 Series C

5% bonds were sold to bankers at 97½, proceeds being used for general purposes.

The indenture under which \$13,500,000 Income bonds were issued in 1916 provided that so long as the Income bonds were outstanding no mortgage indebtedness in excess of \$15,000,000 would be created without securing the Income bonds equally. The company, following creation of the \$50,000,000 First Mortgage, offered to exchange an equal amount of First 5s, Series B, due 1954, for the Income bonds due 1935. During 1924, \$7,644,100 (\$681,000 for treasury bonds), during 1925, \$291,000, during 1926, \$1,594,200, and during 1927, \$593,900 First 5s, Series B, were issued in exchange for Income bonds, leaving \$3,376,800 of the latter outstanding. The \$681,000 treasury bonds were sold in March, 1925.

GENERAL.

Lines operated by the New Orleans, Texas & Mexico Ry., not including various subsidiaries, at the close of 1927 extended 1,100 miles, from New Orleans to Brownsville, Texas, where connection is made with the Mexican National Railways, with several branches. The tracks of the Yazoo & Mississippi Valley R. R. (Illinois Central) are used from New Orleans to Baton Rouge (93 miles). From Baton Rouge the line extends via Beaumont, Houston and Brownsville, Tex., to the terminal at Matamoros, Mex., opposite Brownsville. The International-Great Northern R.R. operates 1,160 miles.

The New Orleans, Texas & Mexico Ry. owns the entire capital stock (\$620,000) and all the first mortgage bonds (\$16,038,113) of three Associated Companies: St. Louis, Brownsville & Mexico Ry., Beaumont, Sour Lake & Western Ry., and Orange & Northwestern R. R. As of December 31, 1927, \$1,000,000 stock and \$2,000,000 first mortgage bonds of the New Iberia & Northern R. R. were also owned; this company (116 miles) in 1927 showed a net operating deficit of \$274,941 (1926, \$226,085; 1925, \$99,432; 1924, \$143,494; 1923, \$170,823; 1922, \$29,731) before interest charges.

As of February 1, 1924, the N. O., T. & M. Ry. purchased for \$1,600,000 the Houston & Brazos Valley Ry. (43 miles, Anchor to Freeport), and Velasco Wharf & Warehouse Co. from Southern Pacific Co. and Freeport Texas Co. The N. O., T. & M. owns the entire \$24,000 stock, \$420,000 First 5s and \$763,890 notes of the H. & B. V. Ry., and the \$250,000 stock of the Velasco Co. For eleven months, 1924, the H. & B. V. Ry. showed \$339,636 operating revenue and \$75,376 net operating income.

An extension of the St. Louis, Brownsville & Mexico Ry. was completed in 1926 involving the construction of 51 miles of line into the Rio Grande Valley. During 1927, another extension of the St. L., B. & M., 18 miles southeasterly from Raymondville in the

Rio Grande Valley district, was begun, and was to be completed in 1928.

The entire \$250,000 stock of the San Antonio Southern Ry. was purchased at cost of \$600,000 in 1926. This road owns 39 miles of line and branches extending from Kirk to Christine, Tex.

The electrically operated Houston North Shore Ry. was acquired in 1927 and at December 31, the N. O., T. & M. owned the entire \$100,000 stock and \$850,000 First Mortgage 6% bonds and had advanced \$1,062,703 to the company. Its line, from Houston to Goose Creek, is operated under lease by the Beaumont, Sour Lake & Western Ry. for passenger traffic.

Investments in Affiliated Companies were carried at \$15,601,377 (1926, \$12,699,954) book value (\$6,844,794 unpledged) on December 31, 1927, representing \$13,662,945 (1926, \$11,427,690) bonds, notes and advances, and \$10,574,700 stocks, including \$7,500,000 stock of International-Great Northern R. R., which was unpledged.

GENERAL.

Weight of rail in main line (592 miles) and additional track (1 mile) at December 31, 1927, follows:

127 miles of 90-pound rail,	93 miles of 80-pound rail,
219 " " 85- " "	154 " " 75- " "

Branches (310 miles) contained:

30 miles of 80-pound rail,	2 miles of 70-pound rail,
35 " " 75- " "	234 " " 60-65- " "
9 miles of 56-pound rail and lesser weights.	

Ballast in main lines consisted of 229 miles gravel, and 290 miles shell, while 74 miles were unballasted. In branch lines were 29 miles gravel and 52 miles sand, while 230 miles were unballasted.

Balance sheet of N. O., T. & M. Ry. and Texas subsidiaries December 31, 1927, showed Current Assets \$5,467,238 (including \$2,735,348 Material and Supplies) and Current Liabilities \$4,750,921 (including \$1,403,739 Loans and Bills Payable). Credit balance to Profit and Loss was \$5,379,809 and Appropriated Surplus \$1,705,280.

FORMER CONTROL BY THE "FRISCO."

There were authorized in 1910 by the "Frisco," which formerly controlled this property, \$50,000,000 New Orleans, Texas & Mexico Division First Mortgage bonds of which \$28,582,930 were issued, bearing interest at 5% and 4½%. These bonds were secured by a first mortgage executed by the New Orleans, Texas & Mexico R. R. to reimburse the "Frisco" for advances made by it for construction, acquisitions, equipment, etc. Interest was payable by the N. O., T. & M. R. R. and on default September 1, 1913, receivers were appointed.

REORGANIZATION.

On August 25, 1915, a plan of reorganization for the N. O., T. & M. R. R. was announced. Holders of the defaulted 4½% and 5% bonds by paying \$200 per \$1,000 bond were entitled to receive \$200 in First Lien 6% bonds, due 1925, \$500 in non-cumulative 5% Income bonds, due 1935, and \$500 in new stock. If the bondholders did not pay the \$200 cash they received per \$1,000 bond \$400 Income bonds and \$250 in stock. Total new securities authorized and issuable by the new company follow:

	Authorized	Issuable under plan
First Lien bonds	\$15,000,000	\$5,870,000
Income bonds (non-cum.)	15,000,000	14,675,000
Stock	25,000,000	15,000,000

The new company assumed operation as of March 1, 1916.

Under the plan the company received from the "Frisco" \$500,000 cash, \$500,000 5% convertible income bonds, \$636,537 6% non-cumulative preferred stock; also \$70,000 stock and \$953,735 bonds of the San Benito & Rio Grande Valley Ry. Co. As of December 31, 1927, the company held these securities of the San Benito and notes and advances to that company amounted to \$564,106, but none of the "Frisco" securities were still owned. During 1922, \$461,500 preferred stock and \$495,900 income bonds of the "Frisco" were sold, netting \$234,369 and \$367,963 respectively; during 1923, \$170,000 "Frisco" preferred stock was sold for \$77,352.

ST. JOSEPH & GRAND ISLAND RY.

See Table, page 166.

The first preferred stock is entitled to 5% and the second preferred to 4% non-cumulative dividends.

The first preferred received 5% in 1898, 1901 and 1902, and 3% in 1899 and 1900. Dividends were suspended in 1903.

STOCK OWNERSHIP BY UNION PACIFIC R. R.

On December 31, 1927, the Union Pacific R. R. owned stock of this company as follows: first preferred \$5,374,390, second preferred \$3,450,830, and common \$4,587,500, the total representing over 99% of stock outstanding.

The annual reports for 1909-10 to 1915-16 inclusive, stated that there was expended during these years account of improvements mentioned in previous reports the aggregate sum of \$842,060, of which \$291,096 was charged to Operating Expenses and the balance, \$550,964 was charged to Additions and Betterments.

As of June 30, 1916, there remained to be expended \$1,305,755 for account of the necessary improvements including approximately \$500,000 for a new bridge across the Missouri River.

"With the exception," the report (1909-10) stated, "of bonds to the amount of \$1,000,000, to be issued for the construction of additional lines of railroad at not to exceed \$6,000 per mile, the company has issued all the bonds which it is authorized to issue under the existing mortgage. All expenditures and betterments have, therefore, to be supplied from the future net earnings of the company."

The report for 1910-11 stated that in addition to the necessary improvements an extension from Hastings, Neb., to a point on the Union Pacific R. R. (about 26 miles) should be built. The \$1,000,000 bonds issuable at \$6,000 per mile for new line would not, the report stated, suffice at then current prices to pay for the cost of rails, ties and fastenings.

It was stated in 1912, that a new mortgage to cover \$15,000,000 bonds would be authorized. An injunction was later filed by the minority stockholders preventing the issuance of these bonds.

GENERAL.

Owned main track December 31, 1927, contained 98 miles of 90-pound rail, 61 miles of 80-pound rail, 92 miles of 75-pound rail, and 7 miles of 60-pound rail.

The balance sheet December 31, 1927, showed Current Assets \$1,417,561 (including \$411,554 Material and Supplies) and Current Liabilities \$520,755. Credit balance to Profit and Loss was \$2,212,006.

ST. LOUIS-SAN FRANCISCO RY.

See Table, page 167.

An initial quarterly dividend at the full rate was paid on the non-cumulative 6% preferred stock on November 1, 1924. Entire issue of \$7,145,100 outstanding 6% preferred stock was retired at 100 on June 1, 1928. A new issue of \$49,157,400 6% preferred stock, non-cumulative, redeemable at 115, voting equally with common stock, was offered at 100 plus accrued dividend for subscription by common stockholders, as of May 18, 1928, at the rate of 75% of holdings. Subscription was underwritten at the offering price.

An initial quarterly dividend at the rate of 5% was paid on the common stock January, 1925, and with the October payment the rate was increased to 7%. With the April 1, 1927, quarterly dividend $\frac{1}{4}$ of 1% extra was paid, from dividends received on "Rock Island" stock, and the total of 2% quarterly was continued.

An additional \$15,096,200 common stock was offered to common stockholders as of May 16, 1927, at 100 plus 1% accrued dividend from April 1 in the ratio of three new for ten old shares. The stock was underwritten for $2\frac{1}{2}\%$ commission. Proceeds were applied to 1927 capital expenditures including the construction of 152 miles of line to connect the M. S., B. & P. R. R.

Of stock issued December 31, 1927, \$354,900 preferred and \$118,000 common were held by reorganization managers.

This company is the successor through reorganization of the St. Louis & San Francisco R. R. The new company was incorporated on August 24, 1916, and commenced operations November 1, 1916.

In January, 1926, a substantial stock interest in Chicago, Rock Island & Pacific Ry. was purchased by St. Louis-San Francisco Ry. and representation was secured in the board of directors. There were 183,333 shares of common stock purchased at a cost to the "Frisco" of \$10,506,090 or about \$57.31 per share. To provide funds, the reorganization managers of the Frisco sold 50,000 shares of common stock of that company which were in their hands at a price to the company of 95¼, and the Frisco sold \$5,000,000 two-year 5% secured notes, due February 1, 1928, at 99¼. Outstanding are 1,290,319 shares of the Rock Island including preferred stock which has equal voting rights.

REFUNDING IN 1928.

Plans were completed early in 1928 for redemption of \$133,420,493 securities at cost of \$133,849,818 with the proceeds from sale of \$49,157,400 6% preferred stock at 100 and \$100,000,000 Consolidated Mortgage 4½% bonds due 1978. About \$9,000,000 of the proceeds remained for other purposes. Annual interest and dividends on securities issued are \$7,449,444 and on securities retired were \$7,848,196. Non-cumulative preferred dividends were \$428,706 annually on \$7,145,100 stock not including amount held by reorganization managers and are \$2,949,444 on the new issue.

Securities retired, at 100 unless otherwise noted, were: \$10,598,000 Prior Lien 6s Series C due July 1, 1928, and \$17,173,000 (at 102½) Series D 5½s due 1942; \$5,000,000 5% notes due February 1, 1928 and \$3,000,000 6% notes due 1930; \$1,046,000 Fort Worth & Rio Grande 4s due July 1, 1928; \$13,736,000 "Fort Scott" Consolidated 6s due May 1, 1928; \$40,540,393 Adjustment 6s due 1955, redeemed July 1, 1928; \$35,172,000 Income 6s due 1960, redeemed October 1, 1928; \$7,145,100 6% preferred stock, redeemed June 1; and \$10,000 Fort Scott 4% preferred stock.

In March, 1928, \$100,000,000 Consolidated Mortgage 4½% Series A bonds due 1978 were sold at 94½ to bankers. Bonds issuable under this junior mortgage are limited to an amount which including all bonds prior in lien will not exceed three times the outstanding capital stock. Of the Series A bonds \$10,000,000 additional were issued and placed in the treasury.

VALUATION.

A tentative valuation of \$190,331,909 as of June 30, 1918, for carrier property owned and used by St. Louis-San Francisco Ry.,

was made by the Interstate Commerce Commission. This figure appeared to compare with over \$150,000,000 greater value on the company's books. In addition, Fort Worth & Rio Grande Valley Ry. was valued at \$4,564,965, Kansas City, Clinton & Springfield Ry. at \$2,936,553, Birmingham Belt R. R. at \$751,096, West Tulsa Belt Ry. at \$33,000, Quanah, Acme & Pacific Ry. at \$1,862,258, and Muscle Shoals, Birmingham & Pensacola R. R. at \$2,363,800, all included in the "Frisco" system. In the 1924 annual report, it was stated that inclusion of approximately \$40,000,000 depreciation in the valuation would be protested, and that the company expected to show that a proper valuation would not be less than book value. From June 30, 1918, to December 31, 1927, an addition of about \$84,000,000 was made to property investment.

ACQUISITIONS.

The entire \$600,000 stock and \$674,000 bonds of Jonesboro, Lake City & Eastern R. R. were purchased for \$1,750,000, which was paid in part by delivery of \$1,741,000 Prior Lien Series D 5½% bonds, and the property leased as of November 1, 1925. Mileage is 86½ miles, all in Arkansas, and connects at five points with Frisco lines.

Entire \$305,000 stock of Muscle Shoals, Birmingham & Pensacola Ry. was purchased at par on December 1, 1925. The line extends 145 miles from Pensacola, Florida, with 14 miles of branches, to connect at Kimbrough, Alabama, with Southern Ry. By construction of about 152 miles of new road the Frisco proposed to meet this line and obtain an outlet on the Gulf of Mexico at Pensacola where the M. S., B. & P. Ry. property includes terminals with piers and coal handling machinery. Of the new mileage under construction, 26 miles were placed in operation December 16, 1927. The M. S., B. & P. was acquired free of debt except current liabilities. The road is operated separately as a part of the system.

The entire capital stocks, \$200,000 and \$300,000 respectively, of the Butler County R. R. and the St. Louis, Kennett & Southeastern R. R., were purchased for \$644,500 Prior Lien Mortgage Series B 5% bonds and \$300,000 cash respectively, in 1927, and as of September 1, the lines, 50 and 17 miles, were leased.

In July, 1928, the acquisition of the properties of Kansas City, Fort Scott & Memphis Ry., Kansas, Memphis & Birmingham R. R., Kansas City, Clinton & Springfield Ry., Muscle Shoals, Birmingham & Pensacola R. R. and Kansas City & Memphis Bay & Bridge Co. was authorized. All excepting the Muscle Shoals property had been operated as part of the system.

PLAN OF REORGANIZATION.

Under date of November 1, 1915, a plan of reorganization was announced. The new company formed authorized the following securities:

(1) Prior Lien Mortgage bonds, \$250,000,000, interest up to 6%, due 1950; \$93,398,500 4% bonds were issued in partial exchange for existing securities of the Frisco; \$31,811,500 5% bonds were sold to a syndicate or used for corporate purposes, and the balance reserved for refunding bonds, for betterments, and new equipment and for corporate purposes.

(2) Cumulative Adjustment Mortgage bonds, due 1955, limited to \$75,000,000, of which \$40,547,818 bonds bearing 6% interest, cumulative from July 1, 1915, were issued under plan. These bonds were subject to the Prior Lien bonds.

(3) Income Mortgage, \$75,000,000 6% bonds due 1960, \$35,192,000 issued under plan. These bonds were subject to issues (1) and (2) as above.

(4) Preferred stock, non-cumulative, \$7,000,000 Series A 6%, callable at par, issued under plan. Total authorized issue \$200,000,000.

(5) Common stock, \$250,000,000 authorized, \$48,480,000 used as per plan.

Reorganization managers held December 31, 1927, \$118,300 of the \$65,543,226 common and \$354,900 of the \$7,500,000 preferred stock issued. In January, 1926, \$5,000,000 common stock was sold in connection with the purchase of Rock Island common stock.

• Interest on Adjustment and Income bonds was payable if earned and was regularly paid.

FINANCING FROM 1918 TO 1927.

On December 30, 1918, the company sold \$10,598,000 Prior Lien Series C 6% bonds, the proceeds paying off all floating debt. The discount of 7% was charged direct to Profit and Loss. In 1922 a Series D of 5½% bonds due 1942 was created, \$6,932,000 6% bonds being converted into this series and sold. Profit and Loss was debited \$940,848 for debt discount. In May, 1924, \$8,500,000 additional Series D 5½% bonds were sold at 88½, and \$3,000,000 bank loans liquidated. Profit and Loss was debited \$1,086,052 for debt discount. In November, 1925, \$1,741,000 Series D bonds were delivered as part of \$1,750,000 payment for Jonesboro, Lake City & Eastern Ry. As of September 1, 1927, \$644,500 Series B 5% bonds were given in payment for Butler County R. R. At December 31, 1927, \$11,571,600 Series B 5% and \$3,208,700 Series D 5½% bonds were held in the treasury, and \$4,000,000 Series C 6% bonds were pledged.

SINKING FUNDS.

Deductions from earnings (included in Fixed Charges by the company) have been made for sinking funds as follows since reorganization:

1927.....	\$349,685	1921.....	\$130,865
1926.....	371,326	1920.....	50,658
1925.....	329,533	1919.....	40,009
1924.....	295,160	1918.....	55,991
1923.....	271,927	1917.....	54,913
1922.....	245,244	1916.....	54,601

GENERAL.

Bituminous coal was 21% of tonnage in 1927 and 1926, and 22% in 1925, 1924 and 1923 and refined petroleum and products, 16% in 1927, 15% in 1926 and 1925, and 12% in 1924 and 1923.

About two-thirds of traffic is originated on the company's lines.

Owned main track December 31, 1927, contained: 346 miles of 100-pound rail, 1,874 miles of 90-pound rail, 252 miles of 85-pound rail, 675 miles of 56-pound rail, 83 miles of 52-pound rail, 678 miles of 75-pound rail, 138 miles of 70-pound rail, 166 miles of 67-pound rail, 447 miles of 65-pound rail, 513 miles of 60-pound rail, 675 miles of 56-pound rail, 83 miles of 52-pound rail, and 31 miles of 35-40-45-pound rail.

As of December 31, 1927, Current Assets (including \$5,062,914 Material and Supplies) were \$21,192,273 and Current Liabilities were \$14,586,016. Profit and Loss credit balance was \$22,354,362 and Appropriated Surplus \$4,848,833.

HISTORY.

On May 27, 1913, receivers were appointed for the St. Louis & San Francisco R. R., also for the Chicago & Eastern Illinois R. R. (which see). The St. Louis & San Francisco R. R. defaulted its guaranteed dividends on the "Frisco" C. & E. I. R. R. preferred and common stock certificates (see below). The "Frisco" also defaulted principal and interest on \$2,250,000 5% notes which matured June 1, 1913, and on 6% notes due September 1, 1914. Interest was also defaulted on \$28,582,930 New Orleans, Texas & Mexico Division 4½% and 5% bonds, receivers having been appointed for the N. O., T. & M. R. R. Interest was defaulted likewise on the General Lien Mortgage 5% bonds, the Refunding Mortgage bonds, and on the \$2,880,000 5% bonds of the Ozark & Cherokee Central Ry. which matured October 1, 1913 (extended for two years at 5% per annum plus \$10,000 a month for improvements to be paid by the Frisco during that period).

Dividends on the first and second preferred stocks were limited to 4% per annum. Dividends on the first preferred were paid until August, 1913, and on the second preferred stock from 1897 to 1905, although not always at the full rate.

In 1900-1, the principal lines of Kansas City, Fort Scott & Memphis R. R. were conveyed to Kansas City, Fort Scott & Memphis Ry. The purchasing company issued \$13,510,000 non-cumulative preferred

stock and \$11,650,000 4% Refunding bonds. The system so acquired was leased to the Frisco. The preferred stock of the lessor was deposited against trust certificates, entitling the holder to payment of 4% dividends by the Frisco, and redeemable and payable by that company at par within twenty years. The Frisco also guaranteed the principal and interest of the Refunding bonds (\$25,941,000 now outstanding), but this guaranty was not assumed by the present company. These leased lines are now operated as part of the Frisco System, and all interest is included in the System's fixed charges. On October 1, 1921, the \$15,000,000 trust certificates for the K. C., F. S. & M. Ry. stock matured, and payment was accepted 75% in Prior Lien 4% bonds and 25% in Adjustment Mortgage bonds of the Frisco which were delivered by reorganization managers, with exception of \$57,500 "Memphis" preferred stock which was given for matured certificates and remains outstanding.

In 1902, control of the Chicago & Eastern Illinois R. R. was acquired, the Frisco giving in exchange its stock trust certificates (defaulted July, 1913). All the common stock and a large majority of the preferred stock was thus exchanged. Following the receivership holders of \$300,000 preferred stock certificates exchanged for the original preferred stock. (See Chicago & Eastern Illinois Ry.)

In 1908, \$30,000,000 General Lien 15-20 year 5% bonds were sold. Additional bonds were sold in each of the subsequent fiscal years to and including 1912-13, so that on June 30, 1916, the total amount outstanding was \$69,384,216. The bonds sold in 1912-13 were largely sold in Paris less than two months prior to the appointment of receivers; the November, 1913, coupons were paid by the receivers; no subsequent coupons were paid.

In 1910, \$50,000,000 New Orleans, Texas & Mexico Division First Mortgage bonds were authorized for issue at not exceeding 5% interest. Of these bonds, \$28,582,930 4½% and 5% bonds were issued to reimburse the Frisco for advances for construction, acquisitions, etc. Interest on this new issue, which was payable by the New Orleans, Texas & Mexico R. R., was defaulted September 1, 1913. Receivers were appointed for the New Orleans, Texas & Mexico R. R. (which see).

Jointly with the Southern Ry., the former Frisco guaranteed principal and interest \$14,000,000 4% bonds of the New Orleans Terminal Co. In July, 1913, the Frisco defaulted interest payment of one-half of the amount then due. In 1914, the court held that the Frisco had forfeited its half share in the property.

In 1903 and later, the Chicago, Rock Island & Pacific R. R. acquired \$28,940,300 of Frisco common stock, the latter receiving in exchange per \$100, \$60 in common stock of Rock Island Co., and \$60 in 5% bonds due 1913 of Chicago, Rock Island & Pacific R. R. In 1909, the Rock Island sold its holdings in Frisco

stock and the bonds above mentioned were called for redemption in 1910. (See C. R. I. & P. Ry.)

The capitalization of the Frisco R. R. June 30, 1916 (prior to reorganization) as compared with June 30, 1901, was as follows:

	1916	1901
Stock	\$50,000,000	\$50,000,000
Bonds and Gtd. Ctfs.....	*261,253,761	46,471,125
Gross	48,403,390	10,173,697
Surplus	1,481,090	1,809,856
Miles operated	5,255	1,687

*Excludes N. O., T. & M. R. R.

ST. LOUIS SOUTHWESTERN RY.

See Table, page 168.

The preferred stock is entitled to 5% non-cumulative dividends. An initial dividend of 2% was paid in July, 1909. In 1910, 5% was paid. In January and July, 1911, and in January, 1912, 2% was paid. Beginning July, 1912, the rate was restored to 5% per annum, paid quarterly; in October, 1913, the quarterly dividend was reduced from 1¼% to 1%. In January, 1914, 1% was paid; in April, 1914, ½% was paid. A dividend of 2½% was paid December 30, 1922, from surplus of previous years. On April 2, 1923, a quarterly dividend of 1¼% was paid and has since been maintained.

The common stock has received no dividends.

CONTROL ACQUIRED BY KANSAS CITY SOUTHERN RY.

In March, 1925, \$9,538,000 preferred and \$1,098,800 common stock in the company owned or controlled by Edwin Gould was sold at prices of 80 and 40 respectively to Chicago, Rock Island & Pacific Ry. Additional stock was purchased in the market bringing holdings (in June, 1925) to \$13,348,000 preferred and \$1,628,800 common stock cost of which averaged 77.325 and 39.162 respectively. This stock was 41% of total outstanding and, both classes having equal voting right, together with holdings of friendly interests, gave Rock Island control of the property. No consolidation was contemplated. The St. Louis-San Francisco Ry. intervened in application of Rock Island to Interstate Commerce Commission for approval. A report of an examiner for the Interstate Commerce Commission in August, 1925, recommended denial of the Rock Island application as inconsistent with the tentative plan for railroad consolidations. In October, 1925, the Rock Island's holdings were sold to the Kansas City Southern Ry. Net profit of \$2,461,268 was realized by Rock Island.

In July, 1926, the Kansas City Southern Ry. owned \$13,500,000 preferred and \$2,000,000 common stock, which the Missouri-Kansas-

Texas R. R. subsequently contracted to purchase at cost of \$13,613,301 and \$7,000,000 was paid on account. Also the Kansas City Southern owned 350,000 shares of Missouri-Kansas-Texas common stock. An additional 100,000 shares were purchased by St. Louis Southwestern in October, 1925, at 44.84 average cost. It was proposed to associate the three companies through stock control. In May, 1927, the Interstate Commerce Commission refused to sanction the Kansas City Southern grouping plans. In November, 1927, the St. Louis Southwestern Ry. sold its stock in Missouri-Kansas-Texas R. R. at cost plus interest to the nominee of the Kansas City Southern Ry. Prior to June, 1928, all its M.-K.-T. stock was sold by Kansas City Southern Ry.

UNIFICATION ABANDONED IN 1928.

A plan was proposed in March, 1928, by Missouri-Kansas-Texas R. R. for acquisition of control by exchange of stocks of St. Louis Southwestern Ry. and Kansas City Southern Ry. For the preferred stock of St. Louis Southwestern Ry. it was proposed to offer one share of 5% cumulative preferred stock and \$5 cash for each share and for the common stock $2\frac{1}{4}$ shares for each share. For the preferred stock of Kansas City Southern Ry. it was proposed to offer $\frac{9}{10}$ of a share of 5% preferred stock for each share and for the common stock $1\frac{1}{2}$ shares for each share. Also it was proposed that M.-K.-T. should complete the purchase from K. C. S. of 135,000 preferred and 20,000 common shares of common stock of St. Louis Southwestern Ry. In October, 1928, the plan was abandoned.

BETTERMENT PROGRAM.

A review of the progress made by the company since 1922 in rehabilitation and improvement was given in the annual report for 1927.

At the beginning of 1923 there were about six million ties in the track of which about four million were treated. Considerable of the treated ties, however, were soft wood treated with zinc chloride. The average life of untreated hard wood ties and zinc chloride treated soft wood ties is about seven years. The average life of creosote treated ties is about 18 years. To continue indefinitely the tie condition of 1923 would have required 600,000 tie insertions annually. A standard of 100% creosoted ties was adopted and after 1929 about 335,000 annual insertions will be required. The cost of treating six million ties was approximately \$3,500,000 but a saving in renewals of \$450,000 annually was estimated to result.

On the basis of an average annual required renewal of 43.6 miles of rail, or a complete renewal each 20 years, the company was 225.19 miles in "arrears" at the close of 1922 (319.10 in 1920), but had reduced this "cumulative" obligation to 167.91 miles in the following five years to 1927. With work to be practically completed

in 1930, about \$1,182,000 would have been spent in eight years for excess cost of rail and track material.

In 1923, a new ballast pit was opened by the company, and with material made available by it, the accumulated obligation to apply 636,000 yards of ballast as of December 31, 1922, will have been discharged by the close of 1929. The excess cost of abnormal ballasting during the years 1923 to 1927 averaged about \$242,000 annually.

The system in 1922 owned 12,453 freight train cars of which a large proportion were of obsolete wooden construction. In the five year period, 5,845 obsolete cars were retired and 3,200 new steel underframe cars substituted. As result of this and of the modernization of shops, the net amount of \$98,586 in 1923 (\$167,754 in 1922) owed to other companies for rental and repair of cars was converted into a net amount of \$345,450 in 1927 (\$577,378 in 1926) due to the company.

Important revision of grades was also accomplished and work at a cost of about \$3,000,000 was undertaken in 1928.

It was stated that the remainder of the program would be completed by 1930 providing there was no change in the policy of appropriating available income for the purpose.

VALUATION.

In July, 1921, tentative "final values" of companies comprising the St. Louis Southwestern system were announced by the Interstate Commerce Commission. As of June 30, 1915, these values totaled \$56,868,135 for total property devoted to common carrier purposes as compared with \$102,118,863 on the carrier's books at that date.

The 1921 annual report of the company said that the tentative valuation "did not take into account investments in jointly owned and operated bridge, terminal and union depot companies nor amount of capital invested in the property since 1915. It also failed to allow proper credit for other values to which the company is entitled under the law."

BONDS.

The Second Mortgage Income bond certificates (issued in exchange for income bonds of St. L. S. W. Ry., St. L. S. W. Ry. of Texas, and Tyler Southeastern Ry.) are limited to non-cumulative 4% interest. To December 31, 1927, \$6,957,500 of the \$10,000,000 certificates had been exchanged at the rate of 90% of their par value for new First Consolidated Mortgage 4% bonds. In addition to the \$6,261,750 First Consolidated bonds thus issued for the Income bonds, \$16,001,300 of this issue had been sold for cash to acquire equipment trust obligations, to purchase new equipment, and for other purposes. A total of \$1,534,000 of the First Consolidated bonds had been reacquired for sinking fund.

On December 31, 1927, the amount of equipment notes outstanding was \$4,545,000, while the company had acquired \$5,546,833 equipment notes which are kept alive as security for the First Consolidated Mortgage bonds.

In 1912, \$100,000,000 First Terminal and Unifying 5% bonds due 1952 were authorized; \$8,155,000 have been sold, of which \$92,000 have been reacquired for employes' annuity trusts; in addition the company held on December 31, 1927, \$7,929,000 bonds unpledged in the treasury.

BONDS GUARANTEED.

The St. Louis Southwestern Ry. guarantees both as to principal and interest \$450,000 Shreveport Bridge & Terminal Co. First Mortgage 5% bonds, due 1955, and \$500,000 Gray's Point Terminal Ry. First Mortgage 5% bonds. The property of the latter company is leased by the St. Louis Southwestern Ry. for 50 years from 1906.

In 1910, the Stephenville, North & South Texas R. R. was acquired. This company operates 106 miles. \$2,607,000 First Mortgage 5% bonds, due 1940, were outstanding December 31, 1927, guaranteed principal and interest by the St. Louis Southwestern Ry. of which \$184,000 were owned by the latter company.

The St. Louis Southwestern Ry. leased for 30 years from July 1, 1910, with privilege of purchase on payment of bonds, the Central Arkansas & Eastern R. R. (43 miles operated). \$1,085,000 First Mortgage 5% bonds due July 1, 1940, are outstanding, guaranteed by the St. Louis Southwestern Ry.

In July, 1916, a bridge over the Mississippi River at Memphis, Tenn., was completed. This is operated by the Arkansas & Memphis Ry. Bridge & Terminal Co., the stock of which is owned jointly by the St. Louis Southwestern Ry., the Missouri Pacific R. R. and the "Rock Island," which three companies jointly and severally guarantee \$3,461,000 First Mortgage bonds now outstanding. These bonds, formerly held by the proprietary companies, were sold to the public in September, 1924.

In addition to \$19,615,500 outstanding bonds of subsidiaries solely guaranteed by St. Louis Southwestern Ry., the company on December 31, 1927, joined with other companies in guaranteeing bonds of which its share was \$3,853,000.

GENERAL.

Of the 1,748 miles operated, 208 are over the lines of other companies under trackage rights. This principally represents the company's entire mileage east of the Mississippi River and entering St. Louis (mostly over Missouri Pacific tracks) together with the line (mostly over Rock Island tracks) from Brinkley, Ark., to Memphis, Tenn.

In 1927, forest products were 26% (1926, 25%; 1925, 27%) of the total tonnage carried. Of total tonnage 57% (1926, 55%; 1925, 53%) originated on the lines of the company.

First main track (not including trackage) included, December 31, 1927:

543 miles of 85-pound steel,
590 miles of 75-pound steel,

44 miles of 60-pound steel,
352 miles of 56-pound steel.

Character of ballast was:

206 miles of rock,
641 miles of gravel,

139 miles of burnt clay,
122 miles of cinders,

436 miles natural soil, bridges and trestles.

The balance sheet of December 31, 1927, showed Current Assets of \$10,646,989 (including \$4,413,502 Material and Supplies) and Current Liabilities of \$3,349,561. Corporate Surplus was \$27,494,105 (\$9,021,911 balance to Profit and Loss, and \$18,472,194 Appropriated Surplus).

SOUTHERN PACIFIC CO.

See Table, page 169.

On October 1, 1906, an initial semi-annual dividend of 2½% was paid on the common stock; on April 1, 1907, 2½% was paid. A quarterly dividend of 1¼% was paid on July 1, 1907, and thereafter 1½% quarterly, beginning October 1, 1907.

In 1904 and in 1907, respectively, the Southern Pacific Co. sold to stockholders at par \$39,569,840 and \$35,296,623 of an authorized issue of \$100,000,000 of 7% preferred stock, convertible into common stock at par at option of holder, and redeemable at 115 by the company until July 1, 1910. In July, 1909, the preferred stock was called for redemption, the holders being given the opportunity either to convert into common stock at par, to receive for \$100 stock, \$20 in cash and \$100 in 4½% 20-year debenture bonds, or to receive \$115 as redemption price. Nearly all of the preferred stock was exchanged at par for common stock. Only \$227,000 preferred stock was exchanged for bonds and only \$62,140 was surrendered for cash.

At court order ending litigation growing out of reorganization in 1889 of the Houston & Texas Central Ry., in December, 1924, Southern Pacific Co. delivered to plaintiffs \$2,421,900 of \$10,000,000 outstanding stock of Houston & Texas Central Ry. on payment of \$1,453,649, representing the proportion of reorganization expenses and old company debts to Southern Pacific at time of reorganization. At a price of about \$200 a share the stock was purchased by Southern Pacific in January, 1926. This stock was the only considerable outstanding minority in a Southern Pacific System company.

Of the total stocks of Transportation System Cos. outstanding on December 31, 1927, amounting to \$398,029,900 there were owned by the Southern Pacific Co. \$379,306,040, owned by System Cos. \$18,702,000, in hands of public \$21,860.

The Southern Pacific Transportation System, 13,533 miles of road and 3,825 miles of water lines operated December 31, 1927, consists of (1) Southern Pacific Co., operating the Steamship Lines and Pacific System (leaseholds of Oregon Lines, Central Pacific, South Pacific Coast and Southern Pacific R. R.), (2) Texas and Louisiana Lines (13 in number, since March 1, 1927 operated under lease by Texas & New Orleans R. R.), (3) Southern Pacific Equipment Co., and (4) and (5) Dawson Ry. & Coal Co. and El Paso & Northeastern Co., both of which are non-operating holding companies owning stocks of companies the properties of which are operated by S. P. Co. under lease. Included in the Southern Pacific R. R. leasehold are the El Paso & Southwestern lines (acquired as of November 1, 1924) and Arizona Eastern R. R. and Phoenix & Eastern R. R. (prior to November 8, 1924 operated separately as part of the Transportation System). Operated by the Texas and Louisiana Lines are the properties of the San Antonio & Aransas Pass Ry. (860 miles, leased to G., H. & S. A. Ry. from May 1, 1925) and Franklin & Abbeville Ry. (40 miles, prior to 1925 separately operated). Outside of the System there are Solely Controlled Companies (including steam railroads, S. P. R. R. of Mexico, and Nacozari R. R., Mexico, and electric railways) and Jointly Controlled Companies, these together with System Companies totaled 16,694 miles of road and 3,825 miles water lines operated in 1927.

ACQUISITION OF EL PASO & SOUTHWESTERN PROPERTY.

On June 20, 1924, Southern Pacific Co. contracted to purchase stocks, bonds and other assets owned by El Paso & Southwestern Co., representing that company's interest in the El Paso & Southwestern R. R. system (1,140 miles), also in Nacozari R. R. (77 miles) extending south into Mexico. In exchange for these assets, stated to be worth not less than \$57,400,000 over and above the \$9,100,000 funded debt then in public hands, Southern Pacific paid \$28,000,000 capital stock and \$29,400,000 20-year collateral trust 5% bonds. Control of the properties was acquired as of November 1, 1924, and properties except in Mexico were then leased.

In connection with acquisition of the El Paso & Southwestern lines, the construction of 172 miles by Southern Pacific was authorized, this mileage with El Paso & Southwestern lines serving the purpose of double track, which was needed, between Dome, Ariz., (near the California boundary) and El Paso, Texas, 544 miles, except for a distance of 57 miles. Cost of the new construction was estimated at \$14,100,000, while double-tracking would have cost about \$25,700,000. By the new construction (completed in 1926) the rich irrigated Salt River Valley is served and the city of Phoenix placed on Southern Pacific main line. The company estimated that, without regard to the earnings (10-year average, \$3,000,000) of the El Paso & Southwestern system, the savings from acquisition, by operating economies and by avoiding construction

of 544 miles of second track, would nearly equal interest and dividends on securities given in payment.

SUIT INVOLVING CENTRAL PACIFIC RY.

In May, 1922, the Supreme Court held the common control of Central Pacific Ry. and other Southern Pacific lines to be in violation of the Sherman Anti-Trust Law, and termination of such control was decreed. In 1917 the District Court at Salt Lake City had decided in favor of the company. Upon the Supreme Court decision, the company applied to the Interstate Commerce Commission for authority to control the Central Pacific by lease and stock ownership, on the ground that the Transportation Act conferred power in the Commission to authorize such combinations, if in the public interest, regardless of application of the Sherman Law. On February 6, 1923, the Commission approved, imposing conditions, object of which was to prevent the exercise of control so as to impede the normal flow of traffic over Southern Pacific-Union Pacific lines through the Ogden gateway. On appeal by the Department of Justice, the Circuit Court of Appeals in St. Paul concluded on June 11, 1923, to uphold the Interstate Commerce Commission decision. The Department of Justice in August, 1923, announced it would take no further appeal.

As of December 31, 1927, Southern Pacific Co. owned entire stock issues of Central Pacific Ry., \$67,275,500 common stock and \$20,000,000 preferred stock, all of the preferred issue and all but \$1,300 of the common issue being pledged under \$36,700,125 Southern Pacific Co. (Central Pacific stock collateral) 4% bonds.

An issue of \$40,000,000 5% 35-year Central Pacific Ry. bonds guaranteed principal and interest by Southern Pacific Co. was sold at 95 to bankers in July, 1925, capitalizing additions and betterments. These bonds are not secured but in event any new mortgage is created on the property (except the Natron cut-off) the issue will be ratably secured by it.

DEVELOPMENT OF CENTRAL PACIFIC RY., ETC.

In February, 1914, when the Government instituted suit attacking the right of Southern Pacific to control Central Pacific, development work on the latter was suspended.

Plans for construction of the Natron cut-off had been completed in 1905, involving the construction of an extension from the main line of the Central Pacific Ry. at Weed, Cal., 280 miles to the end of a branch line of Oregon & California R. R. at Natron, Ore. In 1914, 161 miles had been completed and were in operation. Work was recommenced on September 1, 1923, and the cut-off, now called the Cascade Line, was placed in operation in September, 1926. As completed it extends 269 miles from Natron, Ore., to Black Butte, Cal., and the cost to the end of 1926 was \$39,432,000. An

alternate line between Weed, Cal., and Springfield Junction, Ore., is thus provided, having easier grades than the existing line over the Siskiyou Mountains; also the distance between San Francisco and Portland is reduced 25 miles, and a new territory has been opened up.

As part of a plan to develop the country in Southern Oregon and Northern California, lying generally east of the new Cascade Line, the purchase was completed in July, 1927, of the entire \$600,000 stock of the Oregon, California & Eastern Ry., extending from Klamath Falls to Sprague River, Oregon. In 1925, the Oregon Trunk Ry., a Northern Pacific-Great Northern subsidiary, had proposed to build a line to enter the Klamath Basin. In order that facilities should not be duplicated, the Interstate Commerce Commission directed Southern Pacific Co. and Great Northern Ry. (in substitute for Oregon Trunk Ry.) to arrange for joint use of Southern Pacific lines. In November, 1927, an agreement was finally reached whereby Great Northern would purchase half of Oregon, California & Eastern Ry. stock at cost and would be allowed equal joint use of 72 miles of the Cascade Line on payment of rental.

The purchase by Southern Pacific Co. of the entire common stock and bonds of Nevada-California-Oregon Ry. was contracted in 1925 and completed in October, 1926. At December 31, 1927, \$1,450,000 stock and \$962,000 bonds were owned. The line extends 156 miles from a connection with S. P. lines at Wendell, Nevada, to Lakeview, Oregon, and may be connected with the Cascade Line at Klamath Falls. All but 45 miles had been converted from narrow to standard gauge at the close of 1927.

Following traffic congestion at the time of the San Francisco Fire in 1906 it was determined to double track the entire line of Central Pacific between Oakland and Ogden, proceeding first with the more congested portions. To December 31, 1914, 197 miles of second track had been completed. Work was resumed in 1923, 37 miles additional being placed in operation in that year, 18 miles in 1924, and 18 miles in 1925. With 183 miles of Western Pacific line operated as second track under agreement effective August 1, 1924 (see a following paragraph) and second track on the line of Southern Pacific R. R., Oakland to Sacramento, there remained in 1927 about 200 miles of double-tracking to be completed.

OREGON LINES.

To retire \$15,294,000 Oregon & California R. R. First Mortgage 5% bonds maturing July 1, 1927, \$20,000,000 Southern Pacific Oregon Lines First Mortgage 4½% bonds Series A, due 1977, were sold at 98 to bankers in May, 1927. An additional \$41,294,000 bonds were authorized. The new First Mortgage created is limited to \$100,000,000 and is a direct lien on about 1,172 miles of road, etc. In connection with the refinancing, the properties of Oregon &

California R. R. and Marion & Linn County R. R. were acquired by S. P. Co., in substitution for the previous leases.

AGREEMENTS WITH WESTERN PACIFIC R. R.

Southern Pacific Co. and Western Pacific R. R. Co. entered into agreements formally concluded February 28, 1924, providing: (1) operation, effective for fifty years from August 1, 1924, of tracks of each between Alazon (near Wells) and Weso (near Winnemucca) Nevada, 183 miles, as a double track railroad; (2) handling by Western Pacific of traffic for Southern Pacific on former's line over the Sierra Nevada Mountains between Weso, Nevada, and Chico, California (including the Sacramento Northern as the section Oroville to Chico), as a bridge, minimum in any year to be one-half traffic other than live stock and perishables moving to or from Oregon points via Southern Pacific to, from or through Ogden; (3) handling by Southern Pacific of traffic for Western Pacific and Sacramento Northern over S. P. track between Suisun and Sacramento, Suisun branch of Sacramento Northern being isolated from the rest of the property; and (4) operation of all Western Pacific refrigerator cars by Pacific Fruit Express Co. under conditions insuring equitable distribution of cars to shippers on Southern Pacific, Union Pacific and Western Pacific lines.

For Southern Pacific these agreements provided a needed second track for a portion of the distance Oakland to Ogden, and a second route over the Sierra Nevada range for Oregon lumber and non-perishable freight, 38.6 miles shorter than the existing route and less congested.

SOUTHERN PACIFIC R. R. OF MEXICO.

Southern Pacific R. R. of Mexico was incorporated in 1909 with \$75,000,000 stock which is owned by Southern Pacific Co. The Southern Pacific Co. transferred to the Southern Pacific of Mexico concessions for construction of about 1,500 miles of railway in Mexico, together with the railways completed and in course of construction. Up to 1913 there had been completed under such concessions about 985 miles of line which with the Sonora Ry. (about 265 miles, acquired as of June 30, 1912) gave the company 980 miles of main line and 270 miles of branches, total 1,250 miles, the main line extending from a connection with the Southern Pacific at Nogales on the border to Tepic, Mexico (including a detached section about 45 miles in length between LaQuemada and Orendain). By 1913 the disturbances beginning with the Madero Revolution in 1910 had dispelled any thought of completing the gap in the main line between Tepic and LaQuemada until peace should have been restored. During the revolutionary disturbances the company was compelled to abandon the operation of the Alamos and Tonichi branches and certain portions of the main line because of property damaged or

destroyed by revolutionary forces, so that at March 2, 1923, the company had claims against the Mexican Government for damage and destruction, rental and maintenance of road and equipment while under Government operation, freight and passenger transportation furnished on Government orders, etc., amounting to 24,000,000 pesos, equivalent in U. S. currency to about \$12,000,000. On March 2, 1923, an agreement was entered into between the company and the Mexican Government under which the company received notes covering most of the claims. The notes are payable in monthly installments with interest, and all installments together with interest have been paid off. Under the agreement the company contracted to rehabilitate the Alamos and Tonichi branches and to complete the 102-mile gap in the main line between Tepic and LaQuemada. The two branches were reopened for traffic during the year 1924. The gap in the main line was completed in April, 1927. Traffic has been interrupted. For 50 miles south of Tepic, where the line traverses a rough country, the grade does not exceed 1%, and for the next 30 miles $1\frac{1}{2}\%$, while for the rest of the way it is less than 1%. About \$14,000,000 was spent in completing the line. With this construction completed the company became entitled to a subvention amounting in American money to \$1,034,000. Operating revenues of Southern Pacific R. R. of Mexico were \$5,801,569 in 1927 (\$4,716,351 in 1926 and \$4,387,339 in 1925) and net revenue after expenses including depreciation showed a deficit of \$288,547 (\$60,066 deficit in 1926, \$292,217 net income in 1925). Property investment at December 31, 1927, was \$59,629,470, reduced from \$133,977,330 in 1925; deficit to Profit and Loss was \$1,694,531, reduced from \$63,389,996 in 1925. This was due to credit adjustments of \$63,140,703 in 1926 representing principally cancellation of interest due S. P. Co.

FORMER STOCK OWNERSHIP—OWNERSHIP OF BONDS.

On December 2, 1912, the Supreme Court decided that the Union Pacific System's ownership of Southern Pacific Co. stock (\$126,650,000 owned as of June 30, 1912) conflicted with the Sherman Law. See Union Pacific R. R. for detailed information regarding the exchange by that company of \$38,292,800 Southern Pacific Co. stock on July 16, 1913, for \$42,547,200 Baltimore & Ohio R. R. stock (half common and half preferred) formerly held by the Pennsylvania R. R.; also regarding the sale at 92 of non-convertible trust certificates representing \$88,357,600 Southern Pacific Co. stock to Union Pacific stockholders.

On December 31, 1927, the Union Pacific System owned \$6,026,000 Southern Pacific R. R. First Refunding 4s, \$6,399,000 Southern Pacific Co. (Central Pacific stock collateral) 4s, \$3,875,600 equipment trust notes, and \$1,093,000 other Southern Pacific bonds. In 1921, \$8,534,500 Refunding 4s and \$5,894,000 San Francisco Terminal 4s were given with other bonds in exchange for bonds of Los

Angeles & Salt Lake R. R. The bonds mentioned above were largely sold to the Union Pacific R. R. in 1911-12, the latter giving to Southern Pacific Co. in payment for a part of the bonds \$23,740,362 notes.

CONVERTIBLE BONDS.

Under date of February 1, 1909, an issue of \$82,000,000 20-year convertible 4% bonds due June 1, 1929, was authorized and \$81,814,000 bonds sold at 96 to stockholders to extent of 30% of holdings. These bonds were convertible prior to June 1, 1919, into stock at \$130 per share; a total of \$27,319,240 bonds were converted into \$21,014,800 stock; \$53,815,760 remain outstanding.

The stockholders in 1914 authorized an issue of \$55,000,000 convertible 5% bonds, due June, 1934, of which \$54,534,000 were sold at par to stockholders to extent of 20% of holdings. The bonds were convertible into stock at par to June 1, 1924; \$3,185,500 remain outstanding.

ASSETS AND LIABILITIES (TRANSPORTATION SYSTEM).

On December 31, 1927, the balance sheet of Southern Pacific Co. and Transportation System Cos. (excluding offsetting accounts between the companies) showed Capital Assets of \$2,100,516,140 and Capital Liabilities of \$1,553,887,481 (these items including \$398,008,040 stocks and \$131,077,640 funded debt, par value or book value, of System Companies held within the System); Current and Deferred Assets of \$88,901,880 and Current and Deferred Liabilities of \$40,128,123. Current Assets did not include any securities owned, but included \$33,075,368 Cash and Demand Loans and Deposits, and \$36,549,831 Material and Supplies. Unadjusted Debits were \$17,203,732 and Unadjusted Credits \$160,498,432.

On December 31, 1927, the total credit to the Corporate Surplus accounts of the Southern Pacific Co. and Transportation System Cos., including \$387,984,340 credit balance to Profit and Loss, was \$445,453,521 (of which \$234,550,845—Southern Pacific Co.). In addition there was \$6,304,440 premium on Southern Pacific Co. stock.

ASSETS—SOUTHERN PACIFIC CO.

The assets of Southern Pacific Co. (December 31, 1927) included \$340,457,050 book value of investment in road and equipment; \$542,302,714 book value bonds, stocks and notes of affiliated companies; advances to affiliated companies, \$114,347,523 (Transportation System Companies, \$74,918,010 included); other investments, \$7,549,227, including miscellaneous physical property.

ACCOUNTING WITH SUBSIDIARIES.

In years prior to 1925 Southern Pacific Co. followed the practice of accruing interest on open accounts due from Transporta-

tion System and Solely Controlled Affiliated Companies. In the case of the Transportation System Companies such interest accrual was eliminated in the Combined Income Account and Balance Sheet. In the case of the Solely Controlled Affiliated Companies, which are not included in the combined statements, only such interest accrual as was earned was taken into income by Southern Pacific Co., the unearned portion being held in suspense. As this practice was no longer considered necessary or desirable it was discontinued as of December 31, 1924 and the unearned accrued interest was cancelled. In the case of Jointly Controlled Affiliated Companies the accrual of interest on open accounts is continued.

SOLELY CONTROLLED AFFILIATED COS.

At December 31, 1927, there were 32 Solely Controlled Affiliated Companies having property investments of \$250,769,464 aggregate book value. Practically all the stocks of these companies are owned within the Southern Pacific System but the income from operation has been included in the combined account only as transferred in the form of interest or dividends. Because of the magnitude of these properties, it was stated in the 1925 annual report, the combined results of operation were to be stated in order to show the whole earnings accruing to Southern Pacific Co. stock from operation of all solely controlled companies. The combined Net Income of the Affiliated Companies was \$2,296,672 in 1927, \$3,243,291 in 1926, \$2,258,907 in 1925, and \$5,071,026 in 1924. At December 31, 1927, Current Assets were \$11,354,300 and Current Liabilities \$4,283,801. Combined Corporate Surplus \$34,733,370 compared with \$33,117,156 in 1926 and with deficit in 1925 of \$33,567,425; and \$32,380,836 surplus to Profit and Loss compared with \$31,103,886 in 1926 and with \$35,400,354 deficit in 1925.

STOCKS AND BONDS OWNED.

Jointly with the Atchison, Topeka and Santa Fe Ry., the Southern Pacific Co. owns the Northwestern Pacific R. R. with 478 miles of line. In September, 1928, the Southern Pacific proposed to pay \$4,443,349 for the half interest held by Atchison.

On June 30, 1915, the Southern Pacific Co. owned \$11,080,000 of the total \$20,000,000 stock of the Pacific Mail Steamship Co. After the close of the fiscal year it was decided to liquidate the assets of the company. Accordingly a large number of the steamers were disposed of, and on December 25, 1915, stockholders received a distribution of \$25 per share from capital assets. The par value of the stock was reduced from \$100 to \$5. On December 15, 1915, the Southern Pacific Co. had disposed of its interest in the Pacific Mail Steamship Co. The loss on sale of this stock, \$1,157,734, was debited to Profit and Loss by Southern Pacific Co.

On December 31, 1927, the Southern Pacific held in its treasury \$188,330,266 par value of stocks and \$69,729,962 par value of bonds

and notes of various companies other than the Transportation System Companies. Of these securities only \$20,000,000 bonds of Pacific Electric Ry. and \$26,782,000 bonds of Northwestern Pacific R. R. were pledged. The total included the \$75,000,000 stock of the Southern Pacific R. R. of Mexico.

LAND AND SINKING FUND OPERATIONS.

As of December 31, 1927, the System owned 6,254,692 acres of lands unsold (Central Pacific lands 6,249,682 acres) all pledged for the redemption of bonds, not including 2,353,446 acres taken over by the United States for which settlement is pending.

In addition the Southern Pacific Land Co. on December 31, 1927, held 2,970,403 acres unsold and unpledged. In 1920, 259,000 acres were sold to Pacific Oil Co. for \$43,750,000. The Land Co. carries nothing in its accounts to represent the value of acreage owned.

In 1927, there were sold 249,149 acres of Central Pacific land at \$3.15 average price and 271,982 acres by S. P. Land Co. at \$5, while contracts for 27,816 and 30,581 acres respectively were surrendered.

The net receipts to December 31, 1927, of all sinking funds in operation during 1927, including the receipts from pledged lands referred to above (other than \$4,812,956 receipts from Southern Pacific R. R. lands) amounted to \$58,625,204. Of this amount the sum of \$36,760,492 had been applied to the purchase and cancellation of \$38,550,000 par value of bonds, including accrued interest thereon at date of purchase; and there remained a balance in the funds of \$21,864,713, of which \$20,044,289 was invested in other securities of the par value of \$20,503,000, and \$1,820,424 represented accrued items and unapplied cash in the hands of trustees and of the company.

In June, 1926, under a final accounting in the Oregon-California land grant cases decreed by U. S. District Court, \$3,819,718 was recovered, \$1,723,471 paid to the company and \$2,096,247 to the trustee. It was provided that for every acre of 769,639 designated which hereafter might be found to be mineral land the railroad should repay to the U. S. \$2.50.

SALE OF CALIFORNIA OIL LAND.

In 1920 the Pacific Oil Co. was formed with a capital stock of 3,500,000 shares (no par value) and the Southern Pacific Co. subscribed for entire stock at \$15 a share. Of the \$52,500,000 so realized, \$8,750,000 was retained as working capital and \$43,750,000 expended in purchasing from Southern Pacific Land Co. (entire stock owned by Southern Pacific Co.) 259,000 acres of land in California of which about 25,000 acres were proven oil lands, together with materials and supplies, and 200,690 shares (representing 50.48% of total) of Associated Oil Co. stock. Southern Pacific stockholders in January, 1921, were given right to subscribe at \$15 a share to Pacific Oil Co. stock in ratio of one share for each of

Southern Pacific held. Stockholders (including holders of shares exchanged for company's convertible 5% bonds) purchased 3,414,604 shares of Pacific Oil Co. stock, leaving 85,396 shares of which 84,816 shares were owned unpledged December 31, 1927, by Southern Pacific Co. Through the liquidation of Pacific Oil Co. in 1926 Southern Pacific received cash and securities equal to about \$85 a share for these holdings including 84,816 shares of Standard Oil Co. of California stock which are now held.

In 1921 the stock of the Associated Pipe Line Co. (\$7,000,000 outstanding half owned by Associated Oil Co. and half by Southern Pacific Co.) was increased to \$10,500,000, and the \$3,500,000 stock was sold to Pacific Oil Co. at par. Southern Pacific Co. thus retains one-third interest in the Pipe Line Co., which owns lines running from Southern California fields to various points on Southern Pacific lines and to tidewater.

RAIL STATEMENT.

First and additional main line (7,599 miles) December 31, 1927, included:

1,031 miles of 110-pound steel,	239 miles of 76 and 75-lb. steel,
14 " " 96 and 91-lb. steel,	231 " " 65 to 72-lb. steel,
5,642 " " 90-pound steel,	3 " " 60 to 62-lb. steel,
373 " " 85 and 80-lb. steel,	2 " " 56.6-lb. & lighter wt.

Branches (6,511 miles) contained:

22 miles of 116 to 164-lb. steel,	296 miles of 65 to 72-lb. steel,
695 " " 90-pound steel,	807 " " 60 to 62-lb. steel,
1,186 " " 80 to 85-lb. steel,	836 " " 56.6-lb. & lighter,
2,666 " " 75-76-pound steel,	2 " " iron rail.

During 26½ fiscal years to December 31, 1927, heavy rail was laid (prior to the 1909-10 year the entire cost of heavy rail, less value of old rail, was charged to operating expenses) in renewals as follows:

1900-1 to 1909-10...5,382 miles,	1919 475 miles,
1910-11 483 miles,	1920 528 miles,
1911-12 257 miles,	1921 427 miles,
1912-13 639 miles,	1922 287 miles,
1913-14 409 miles,	1923 458 miles,
1914-15 302 miles,	1924 403 miles,
1915-16 469 miles,	1925 349 miles,
1917 510 miles,	1926 510 miles,
1918 408 miles,	1927 537 miles.

Number of ties laid per mile in recent years has been as follows:

1922..... 251	1925..... 252
1923..... 245	1926..... 248
1924..... 222	1927..... 225

At December 31, 1927, of 7,559 miles of main line, 7,139 were fully ballasted, 312 miles partly ballasted, and 6,032 miles were protected by automatic block signals; of 6,511 miles of branches, 3,756 miles were fully ballasted, 885 miles partly ballasted, and 168 miles protected by automatic block signals.

S. P. MOTOR TRANSPORT CO.

In April, 1927, the Southern Pacific Motor Transport Co. was incorporated with right to engage in all forms of transportation. For the present it was expected to operate a motor coach service in coordination with steam train service. At the close of 1927, the company operated 23 motor coaches over six interurban routes aggregating 501 miles, and 16 buses in Salem and 10 in Eugene, Oregon, giving city service. Operating revenues in 1927 were \$118,-008 and net loss from operations was \$13,502 after depreciation and taxes. Other income, however, was \$57,452.

ELECTRIC LINES.

The Southern Pacific Co. is largely interested in traction lines in California, the lines extending for the most part from Los Angeles into a large area of Southern California. The various companies which had been acquired were mostly consolidated in 1910, under the name of Pacific Electric Ry. All of the stock of the Pacific Electric Ry. is owned by the Southern Pacific Co. The traction lines in California operated as of December 31, 1927, 886 miles of main track.

Operating revenues of the Pacific Electric Ry. (and P. E. Land Co., combined) for 1927 (690 miles operated) were \$19,983,035, and the Net Deficit after Fixed Charges (including \$2,692,565 interest on funded debt) was \$390,394 (Deficit, 1926, \$908,987; Income, 1925, \$184,885; Deficit, 1924, \$592,185; Income, 1923, \$330,915; Deficits: 1922, \$575,989; 1921, \$799,633).

INVENTORY OF THE PROPERTY.

On December 31, 1927, the combined debts or obligations, of every description, of the Transportation System Companies, consisting of amounts owed to security holders, employees, tradesmen, connecting lines, tax collectors, and others (including \$6,304,440 premium on Southern Pacific capital stock, and \$398,008,040 stock and \$131,077,640 funded debt held within the System, but not including \$106,702,866 accrued depreciation of road, equipment, and miscellaneous physical property) amounted to\$1,654,465,365

The companies held to meet such obligation assets (property) amounting to\$2,206,621,752

- (1) Book value of the investment in transportation property carried on the books of the companies forming the Southern Pacific steam transportation system, consisting of 13,533 miles of first main track, 956 miles of additional main track, 5,757 miles of yard track and sidings, equipment for railroad operation, 22 ocean steamships, 3 river steamships, 27 ferry boats and car transfers, 11 tugs and 77 barges and 18 other vessels, also terminals at Galveston and a ten-story office building in San Francisco, the whole forming a trans-continental system extending from New York City, via New Orleans and Galveston, to San Francisco, Cal., and Portland, Ore., with a line extending from Ogden, Utah, to San Francisco, California\$1,432,869,582
- (2) Sinking funds for the redemption of outstanding funded debt, consisting principally of \$18,618,000 System Co. bonds, \$1,885,000 other bonds, and \$224,986 cash held by trustees..... 20,269,305
- (3) Miscellaneous physical property including terminal and other real estate acquired in anticipation of future use..... 3,031,760
- (4) Investments in affiliated companies..... 638,514,108
- These investments in affiliated companies are represented by property as follows:

ELECTRIC RAILWAYS.**Miles of Road
Operated**

Fresno Traction Co.	32
Pacific Electric Ry. Co.....	690
Peninsular Ry. Co.	61
San Jose Railroads.....	29
Stockton Electric R. R. Co.....	14
Visalia Electric R. R. Co.....	60
Total	<u>886</u>

STEAM RAILWAYS—FULL OWNERSHIP.**Miles of Road
Operated**

Albion Lumber Co.	27
Holton Inter-Urban Ry.....	10
Inter-Cal. Ry. (in Mexico).....	52
Nacozari R. R. (Mexico).....	77
Southern Pacific R. R. of Mexico...	1,371
Total	<u>1,537</u>

STEAM RAILROADS—HALF OWNERSHIP.

Northwestern Pacific R. R. Co.....	478
San Diego & Arizona Ry. Co.....	200
Sunset Ry. Co.....	60
Total	<u>738</u>
Grand Total	3,161

OTHER COMPANIES.

Albion Lumber Co. 23,019 acres (1917) redwood timber, with saw mill and logging roads (27 miles leased from Northwestern Pacific R. R.). 1927 gross earnings, \$1,410,464; net deficit, \$202,029; debit balance to Profit and Loss, \$620,793. With other lumber companies, owning 21,749 acres of timber lands and 44,743 acres of other lands, 2 saw mills, etc.; average annual production 33,000,000 feet manufactured lumber and 8,000,000 feet railroad ties.

Associated Pipe Line Co. (one-third of authorized stock owned by S. P. Co., one-third by Associated Oil Co., and one-third by S. O. Co. of Cal.); 561 miles of eight inch oil pipe line, 50,000 barrels daily capacity.

Central Pacific Land Co. Total assets, 1927, \$25,198,067. Debit balance to Profit and Loss, \$1,666,627. Owned, 1927, 6,249,684 acres unsold but pledged. Southern Pacific Land Co. Assets in 1927, \$21,141,426 including no valuation for 2,970,403 acres owned unpledged. Advances to affiliated companies, \$17,069,805; deferred payments for land, \$2,934,868. Net income \$534,381 in 1927 (\$446,872 in 1926); credit to Profit and Loss, \$12,578,173. All companies own 9,222,048 acres of lands in States traversed by S. P. lines, also 6,009 town lots of which 2,941 are in Texas and 977 in Los Angeles and vicinity.

Coal companies owning 22,688 acres of coal lands in Oregon and Colorado, 6,321 of prospective coal lands in Texas, and 2,502 of lignite, clay, and other lands in Texas and Louisiana.

East Coast Oil Co. Gross earnings in 1927, \$752,351 (1926, \$1,278,303; 1925, \$3,101,815; 1924, \$3,680,745; 1923, \$5,623,010); net income,

\$55,904 (1926, \$56,028; 1925, \$296,488; 1924, \$1,765,666; 1923, \$2,123,428); credit to Profit and Loss, \$8,263,897; annual production (1917) 3,150,000 barrels of oil; development of oil near Tampico, Mexico, on leased land. Rio Bravo Oil Co. Gross earnings in 1927, \$4,985,255 (1926, \$5,051,211; 1925, \$2,326,325; 1924, \$2,032,185; 1923, \$1,509,314); net income, \$3,078,547 (1926, \$3,478,924; 1925, \$1,117,624; 1924, \$1,246,583; 1923, \$960,422); credit to Profit and Loss, \$10,624,891. These companies own 2,444 and lease 12,129 acres in Texas and Louisiana and near Tampico, Mexico, and hold mineral rights in 85,443 acres in Texas; producing wells, 150; annual production, about 3,400,000 (1926, 4,000,000) barrels.

Pacific Fruit Express Co., operating 38,608 refrigerator cars. Owned half by Southern Pacific Co. and half by Union Pacific R. R.

Rockaway Pacific Corp., owning 565 acres on Jamaica Bay, near Brooklyn, N. Y. Property investment, 1927, \$1,205,013.

Southern Pacific Building Co., nine-story office building, Houston, Texas. Net income \$55,212 in 1927.

Southern Pacific Motor Transport Co., 23 motor coaches over 501 miles in 6 routes and 26 buses in 2 Oregon cities. Began operations in 1927. Property investment, \$396,140; gross revenues, \$118,009.

Terminal companies, owning 25 acres in city of Los Angeles with 3 market buildings and 4 warehouse buildings in center of the wholesale district.

(5) Other investments, including \$1,320,282 cash held by trustee for equipment purchases.....	\$5,831,386
(6) Current, deferred and unadjusted assets consisting of:	
Cash, loans and deposits....	\$33,167,121
Receivables, etc.	16,711,689
Materials and Supplies	36,549,831
Deferred assets and unadjusted items (latter including \$6,422,692 discount on stock and bonds) ..	19,676,971
	<hr/>
	106,105,612
Grand total of assets.....	<hr/> \$2,206,621,752

which exceeded all debts and obligations, including the outstanding capital stock, by an amount of \$552,156,387 of which \$106,702,866 represented reserves for accrued depreciation and \$445,453,521 represented an *invested* surplus which is equivalent to over 119 per cent of the outstanding capital stock.

Prior to 1905, when the first dividend was paid, the surplus accruing each year from the date of the organization of the company in 1884 was reinvested in the property, and the same course has been followed with the surplus remaining each year, from 1906 to date, after the payment of dividends. As a result of this policy, 46 cents of each dollar of surplus earned during the company's existence had been paid in dividends and 54 cents of each dollar had been put back into the property up to *December 31, 1917*.

EL PASO & SOUTHWESTERN CO.

(In Southern Pacific System from November 1, 1924.)

Dividends were paid at the following rates in recent years: 6¼% in 1923; 6% in 1922; 7½%, 1921; 8%, 1917 to 1920; 6% in 1916; 5%, 1911 to 1915; and 7% in 1910. Of the amounts required for dividends \$902,686 was paid from surplus in 1920 and \$547,764 in 1921.

In July, 1921, the company was authorized to change its authorized capital stock from 350,000 shares of \$100 par (250,000 outstanding) to 1,000,000 shares of no par stock. It was proposed to issue 750,000 shares in exchange for the old stock on a basis of 3 new shares for one old, while 250,000 would be retained in the company's treasury.

ACQUISITION BY SOUTHERN PACIFIC CO.

On June 20, 1924, Southern Pacific Co. contracted to purchase stocks, bonds and other assets owned by El Paso & Southwestern Co., representing that company's ownership of and interest in the El Paso & Southwestern R. R. system, also in the Nacozari R. R. (the Mexican property) and in the Tucson, Phoenix & Tidewater R. R. (owning real estate, franchises and rights of way in Phoenix, Ariz., and elsewhere). In exchange for these assets, stated to have aggregate value not less than \$57,400,000 over and above the \$9,100,000 bonds then stated to be outstanding in hands of the public, the Southern Pacific agreed to give \$28,000,000 of its capital stock and \$29,400,000 of its 20-year collateral trust 5% bonds.

The El Paso & Southwestern Co. as result of this sale became a holding company principally owning the Southern Pacific Co. securities.

It was announced that the sale was agreed to by El Paso & Southwestern interests on condition (1) that a \$10,000,000 main line through the Salt River Valley, Arizona, be immediately undertaken, and (2) that adequate representation be given in Southern Pacific management.

Earnings of El Paso & Southwestern System over a period of years were as follows:

Year.	Mileage.	Oper. Rev.	Net Inc.
1923	1,140	\$12,649,044	\$1,704,096
1922	1,140	11,389,664	1,945,866
1921	1,028	10,868,798	1,327,236
1917	1,028	13,634,863	4,071,439
1915-16	1,027	10,671,627	2,567,749
1914-15	1,027	7,788,736	1,812,647
1913-14	1,001	9,057,553	2,009,718
1912-13	947	8,657,716	2,202,420

VALUATION.

The 1923 annual report summarized tentative valuation figures, based on preliminary engineering and land reports, for the system exclusive of the Arizona & New Mexico Ry. as follows:

Cost of reproduction, new.....	\$39,155,749
Cost of reproduction less depreciation.....	31,099,489
Carrier lands, water rights, etc.....	\$4,607,881
Non-carrier lands	589,919

Total lands	5,197,800
Cost of reproduction new plus lands.....	\$44,353,549

The Arizona & New Mexico Ry. was served with a tentative valuation in October, 1922, of \$4,223,928, as of 1917, including \$223,928 for working capital and material and supplies. Protest was filed by the company, a valuation of \$5,234,176 being claimed.

An official statement of the company (July, 1924) placed a value of \$48,335,624 on the system property, including the Arizona & New Mexico Ry., based on preliminary reports, less depreciation and with additions and betterments, material and working capital added.

PROPERTY AS FORMERLY CONSTITUTED.

This company formerly operated as separate properties the El Paso & Southwestern R. R. of Texas (5 miles); the El Paso & Southwestern R. R. (569 miles); Burro Mountain R. R. (13 miles); El Paso & Northeastern R. R. (19 miles); El Paso & Northeastern Ry. (150 miles); El Paso & Rock Island Ry. (128 miles); Dawson Ry. (132 miles); Alamogordo & Sacramento Mountain Ry. (31 miles); Chicago, Rock Island & El Paso Ry. (60 miles). Total, including 33 miles Atchison, Topeka & Santa Fe Ry. line operated under trackage rights, 1,140 miles.

The El Paso & Southwestern Co. and its subsidiaries also owned the entire stock (\$400,000) of the Alamogordo Lumber Co.; the \$100,000 stock of the Dawson Ry. & Coal Co., which company

owns the Dawson Ry. and the Dawson Fuel Co., which in turn owns about 35,000 acres of coal lands; the entire \$1,000,000 stock of the Nacozari R. R. (Douglas, Ariz., to Nacozari, Mexico—77 miles); and one-half interest in the stock of Tucson, Cornelia & Gila Bend R. R. (43 miles). The last two railways mentioned did not directly form a part of the El Paso & Southwestern System. Formerly there were owned the \$200,000 stock of the Texas & Western Telegraph & Telephone Co. (dissolved in 1923), and the \$750,000 stock of the Morenci Southern Ry. (abandoned 1922 and property dismantled; in 1923, \$620,795 was debited to Profit and Loss of El Paso & Southwestern Co. for loss on stock).

As of January 1, 1922, the El Paso & Southwestern Co. purchased from the Phelps Dodge Corporation the Arizona & New Mexico Ry. (108 miles, between Clifton, Arizona, and Hachita, New Mexico). This property was leased to the El Paso & Southwestern R. R. Co. Purchase price was \$4,500,000, of which \$1,000,000 was paid in cash and the balance in 2-year 6% notes. The Arizona & New Mexico Ry. stock (\$2,770,000 par) was carried at \$3,205,467 and the bonds carried at par, \$1,294,533.

Formerly the El Paso & Southwestern Co. held a large interest in the stock of the Rock Island Co. On account of loss on this investment Profit and Loss was debited in 1913-14 \$1,000,000 and in 1914-15 \$3,039,999.

GENERAL.

Main line and branches of El Paso & Southwestern System (1,107 miles) on December 31, 1923, contained:

417 miles of 90-pound rail,	112 miles of 70-pound rail,
170 " " 85- " "	46 " " 65- " "
76 " " 80- " "	126 " " 60- " "
154 " " 75- " "	6 " " 48to57-pound rail.

At December 31, 1923, a total of 312 miles were equipped with block signals.

SAN ANTONIO & ARANSAS PASS RY.

Prior to 1926, this company owned 725 miles of railway located wholly in the State of Texas, the main lines extending from San Antonio to Houston (242 miles) and from Yoakum to Waco (172 miles) with several branches. As of May 1, 1925, the property was leased to Galveston, Harrisburg & San Antonio Ry., a Southern Pacific subsidiary.

In 1924 the Southern Pacific purchased from bankers \$985,400 of the \$1,000,000 stock at \$236,561 cost. Prior to 1903 Southern Pacific had acquired stock control of the company and had guaranteed the \$17,544,000 First Mortgage bonds but in 1903 was compelled by court order to divest itself of the stock. In 1925 there was due Southern Pacific \$14,086,783 (including \$4,823,771 interest) for bond interest

paid under the guaranty. It was anticipated that the saving from operation under lease would about equal the annual bond interest.

In July, 1926, the San Antonio & Aransas Pass Ry. was authorized to construct 120 miles of important mileage extending the line into the Rio Grande Valley and to the Mexican border. The work was completed in 1927. Territory reached by the extensions is said to contain the richest and most productive soil of any agricultural section in the country.

The \$17,544,000 First Mortgage bonds due January 1, 1943, are guaranteed principal and interest by the Southern Pacific Co. As of December 31, 1924, the Southern Pacific Co. held \$1,200,000 notes and \$3,898,000 4% Income bonds. Interest on the latter was accrued as follows: 1924, 1923, 1922 and 1921, \$233,880; 1920, \$116,940; and 1919, \$155,920. None of these amounts were taken into Southern Pacific income.

At the close of 1927, Southern Pacific Co. held \$985,840 of the \$1,000,000 stock and \$3,740,000 of the First Mortgage bonds, and Southern Pacific R. R. held \$21,000 bonds additional.

As of December 31, 1924, main line and branches (729 miles) contained:

38 miles of 90-pound rail,	12 miles of 75-pound rail,
6 " " 80- " "	317 " " 70- " "
356 miles of 50-pound rail.	

Main line included 106 miles, and branches 186 miles of unballasted track.

Of 2,298,710 tons of freight handled in 1924 (1,608,866 in 1923), 1,146,624 tons were received from connecting lines. Total included 660,586 tons of petroleum and products.

As of April 30, 1925, Current Assets were \$1,519,312 (including \$825,965 Material and Supplies), and Current Liabilities \$16,527,284 (including \$10,682,474 Notes Matured Unpaid, and \$1,066,260 Interest Matured Unpaid). There was a debit balance to Profit and Loss of \$9,035,020.

TEXAS & PACIFIC RY.

See Table, page 170.

This company is the only important railroad operating under a federal charter. By Act of Congress, approved February, 1923, authority was given to amend the charter, freeing the company from previous restrictions on issuance of stock and bonds. Missouri Pacific R. R. controls the company by ownership of \$18,960,000 common (of which \$5,000,000 was purchased in 1926 and \$3,960,000 in 1927) and \$23,703,000 voting preferred stock.

A dividend on the preferred stock at the rate of 5% from date of issue, May 26, was paid December 31, 1924. Annual dividends of 5% were paid December 31, 1925, 1926, and 1927.

A quarterly dividend on the common stock at the rate of 5% was paid July 1, 1928, and since continued.

READJUSTMENT IN 1924.

On October 27, 1916, receivers were appointed for the Texas & Pacific Ry. Under date of November 26, 1923, a plan of readjustment was announced, and in May, 1924, the plan was declared operative and receivers discharged. The \$24,676,000 Second Mortgage income bonds were exchangeable (\$243,000 unexchanged December 31, 1927) par for par for 5% non-cumulative preferred stock. For this purpose authorized capital stock was increased from \$50,000,000 to \$75,000,000. The preferred has equal voting right with the common stock. A new General and Refunding Mortgage was also authorized which is subordinate only to First Mortgage bonds and other prior liens, aggregating about \$17,000 per mile. Not exceeding \$8,000,000 bonds may be issued against additions and betterments made from earnings during receivership. No bonds of this issue were sold until 1927. The company had outstanding following the readjustment in 1924 a note for \$4,400,000 loaned by the Government at 6% to 1930. This loan represented \$1,400,000 due the Government in final settlement for federal control and funding of \$3,000,000 expenditures for additions and betterments during federal control. The company thus received \$3,000,000 cash. Judgments with interest amounted to \$4,440,583, to fund which unsecured 6% notes maturing in equal annual installments January 1, 1930-1939 were issued to Missouri Pacific R. R. The common stock remained undisturbed and was not assessed.

In February, 1927, \$16,000,000 General and Refunding Mortgage 5% Series B bonds, due 1977, were sold at 97 to bankers. A portion of the proceeds was applied to redemption of the \$4,400,000 6% notes held by the Government and \$4,440,583 6% serial notes held by Missouri Pacific R. R. Bonds under the mortgage are authorized to an amount which together with prior liens shall not exceed $1\frac{1}{2}$ times the outstanding capital stock and in no case \$120,000,000.

SUIT FOR INCOME BOND INTEREST.

The former income bonds were entitled to 5% per annum. Issued in 1888, these bonds paid no interest to 1901 when 4% was paid and in each year thereafter 5% to and including 1907. In 1908, $3\frac{1}{2}\%$ was paid. No further payments were made. The Missouri Pacific R. R. owned \$23,703,000 of this issue. See under Missouri Pacific R. R. for terms under which these bonds were acquired.

In 1921 the suit of the Missouri Pacific R. R. for interest on income bonds for the period 1889 to 1915 was dismissed. Judgment was, however, awarded Missouri Pacific for principal and interest of notes owned, aggregating about \$2,979,380. On appeal

the verdict was upheld in 1922. Notes with interest to December 31, 1923, amounted to \$4,440,583, due Missouri Pacific R. R., and were funded in 1924 readjustment.

NEW ORLEANS TERMINAL.

Missouri Pacific R. R. and Texas & Pacific Ry. each own \$1,000,000 of the \$2,000,000 stock of the Texas Pacific-Missouri Pacific Terminal R. R. of New Orleans (name changed from Trans-Mississippi Terminal R. R. in June, 1924). Property owned includes 55 acres in the heart of New Orleans on which are located terminals, etc., and about 7 miles tracks and sidings. The company leases from the Texas & Pacific Ry. two transfer steamers used to ferry trains across the Mississippi River, about 58 miles of tracks and sidings on the west bank of the river, and about 183 acres on the river at Westwego whereon are freight terminal facilities. Adjoining the latter property the company also leases from the Missouri Pacific 1,718 acres fronting on the river. Cost of road and equipment (including improvements on leased railway property) amounted to \$6,495,233 on July 31, 1924. On November 1, 1923, \$3,653,000 7½% notes of the Terminal R. R. came due and were extended one year. These notes were guaranteed principal and interest by the two proprietor companies, and were secured by \$5,213,000 First Mortgage 5% bonds, due 1944, the total issue. To provide for maturity of the notes in 1924 a new First Mortgage was authorized in amount of \$7,500,000, under which \$5,000,000 Series A 5½% bonds, due 1964, were issued and sold in September, 1924. These bonds are guaranteed principal and interest by the Missouri Pacific R. R. and Texas & Pacific Ry. These railroads have entered into an operating agreement, pledged under the First Mortgage, to use the Terminal R. R. facilities until June 15, 2013 and to pay all sums necessary in operation of the Terminal R. R.

GENERAL.

From beginning of receivership (October 27, 1916) to September 30, 1923, \$21,209,684 was expended for additions and betterments, divided \$11,103,384 for road and \$10,106,300 for equipment. In 1923 this outlay was represented only by \$4,519,555 equipment obligations, and \$1,400,000 notes to U. S. Government. An additional \$3,000,000 was funded in the 1924 readjustment by note issue to the Government.

Main line (1,371 miles owned) December 31, 1927, contained: 199 miles of 110-pound rail, 232 miles of 90-pound rail, 849 miles of 85-pound rail, 89 miles of 75-pound rail, and 3 miles of 56-pound rail. Branch lines (476 miles owned) contained: 235 miles of 75-pound rail, 108 miles of 63-pound rail, 128 miles of 56-pound rail, and 5 miles of 50-pound rail.

Of 11,044,011 total tonnage carried in 1927, 2,476,002 (1926, 1,791,283; 1925, 1,632,711) tons were petroleum and products, 2,393,151 were products of agriculture, and 1,550,762 were forest products.

Early in 1927, \$324,700 of the \$404,100 stock and all of the \$336,000 First Mortgage 6% bonds of the Cisco & Northeastern Ry. were purchased. This road extends 28 miles from Cisco on the line of the Texas & Pacific Ry. to Breckenridge, Tex. An extension, 37 miles, Breckenridge to Throckmorton, was completed early in 1928.

Also in 1927, the entire \$75,000 stock and \$1,012,066 bonds of the Abilene & Southern Ry. were purchased. The property consists of 72 miles of line and 25 miles of trackage rights. Also, the entire \$45,000 stock and \$400,000 bonds of the Pecos Valley Southern Ry., 40 miles, were purchased.

Current Assets on December 31, 1927 (including \$4,102,506 Material and Supplies) were \$10,374,133, and Current Liabilities were \$4,294,583. Credit balance to Profit and Loss was \$11,308,956, and Additions to Property through Income and Surplus \$30,338,234; Total Corporate Surplus, \$41,647,190. In 1927, \$528,223 Debt Discount was extinguished through Surplus.

WESTERN PACIFIC R. R.

See Table, page 171.

Since organization of the Corporation (a holding company for the Railroad Co. stock) dividends on its preferred were paid as follows: 1918, 6%; 1919, 4½%; 1920, 5%; 1921 to 1926, 6%. In 1927, a quarterly dividend of 1½% was paid in April; none thereafter. This stock is now cumulative to extent of 12% plus amounts earned and unpaid in any year, convertible into common stock share for share and is redeemable at 105. See following for special stock and cash distributions on preferred and common stocks in July, 1925.

A substantial interest in this company has been acquired by Mr. Arthur Curtiss James, it was announced in June, 1926.

DIVIDEND POLICY.

A letter was addressed to stockholders May 4, 1927, discussing the prospects for continuance of preferred dividends. It was pointed out that income of the Corporation was derived about \$400,000 net from miscellaneous securities but chiefly from R. R. Co. dividends. No dividends had been received from Utah Fuel Co. nor income from Denver securities since reorganization of the latter. A part of the statement follows:

"During the past year the management of the operating company has made a thorough study of the conditions existing on the railroad and has come to the conclusion that to conserve the value of your property large sums of money must be expended during the next five years on improvements and betterments. Every indication points to a very considerable increase in busi-

ness to and from the territory served by the Western Pacific R. R. and its connections, and in order to handle this prospective increase the property must be brought up to a much higher standard than has existed previously, and must be put in a position to contend successfully with its strong competitors. In addition to this, you will realize that the Western Pacific, when constructed between 1906 and 1909, was laid with rail which at that time was standard and ample for its requirements. The rail has been in service for such a period that the time has been reached when, with due regard to economical operation, relaying thereof should be commenced. This rail program will extend over a period of five years. To accomplish these results, according to a most conservative budget presented by Mr. Adams, the President, and the operating officials who have been making the study, an expenditure of \$18,000,000 is required. Of this amount, \$8,000,000 is an operating charge and cannot be capitalized, so the money to do this work must be taken from earnings.

"Your directors have considered with the greatest care the question of conserving the value of your property, and in doing what in their opinion will not only conserve it but will materially increase it, and to do this the dividends on the preferred stock of your holding company cannot be maintained at the present level. During the period of revamping the property, your directors hope to pay whatever income may be available to be so used by the holding company and will do their utmost to maintain the dividend on the preferred stock at as high a point as is consistent with a wise management policy."

AGREEMENT WITH SOUTHERN PACIFIC CO.

The Western Pacific R. R. entered into important contracts with Southern Pacific Co. under date of February 28, 1924. Principal provisions may be outlined as follows:

1. For fifty years from August 1, 1924, 183 miles of Western Pacific and Southern Pacific parallel tracks between Alazon (near Wells) to Weso (near Winnemucca), both points in Nevada, are to be operated as double track by each railroad. Large expenditures on Western Pacific mileage were required; for such of these as were not necessary for the benefit of Western Pacific, it was agreed that Southern Pacific would advance funds, remitting interest at $5\frac{1}{2}\%$ thereon until the Western Pacific should increase its use of the double track above the ratio W. P. 25%—S. P. 75%, whereafter Western Pacific would absorb a portion of interest corresponding with the increase in use. Maintenance is borne by the two companies on a wheelage basis. While direct pecuniary advantage would decrease as Western Pacific's relative traffic increased, in the first instance Western Pacific would receive by way

of rental about \$175,000 more than paid to Southern Pacific and it was further estimated that savings from joint operation would approximate \$180,000 annually.

2. For a period of ten years, Western Pacific will operate its low-grade line from Chico, California, to Weso, Nevada, as a bridge line for Southern Pacific, handling for \$60 per car a minimum of one-half Southern Pacific's traffic other than live-stock and perishables moving between Oregon points and Ogden. If this agreement is not renewed on expiration, through rates to Oregon (not now existing) will be established.

3. Through rates and divisions to Southern California points were placed in effect, opening to Western Pacific the territory south of Tehachapi and east to and including Banning.

4. Traffic originating on or destined for the 15½-mile Suisun branch, owned by but isolated from the Sacramento Northern R. R. (99% bonds and stock owned by Western Pacific) was to be handled between Suisun and Sacramento by Southern Pacific at a charge of \$20 per car. The arrangement avoided constructing an extension of the Sacramento Northern to meet the Suisun branch.

5. To May 1, 1926, and thereafter subject to mutual agreement, Pacific Fruit Express Co. (jointly owned by Southern Pacific and Union Pacific) leased from Western Pacific all of the latter's refrigerator cars, paying annually for the first fifteen years 5⅓% of the cost of the cars for amortization and 6% of the unamortized portion of cost. The Pacific Fruit Express Co. made its cars available without discrimination to shippers on Western Pacific or Southern Pacific lines.

FORMER CONTROL BY DENVER & RIO GRANDE R. R.

Western Pacific R. R. succeeded Western Pacific Ry., sold under foreclosure June 28, 1916. The Railway Co. was controlled by Denver & Rio Grande R. R., which company guaranteed the interest on \$50,000,000 First Mortgage 5% bonds of Western Pacific Ry. The Denver & Rio Grande R. R. and its subsidiary, the Utah Fuel Co., owned \$25,000,000 Second Mortgage bonds, \$26,800,000 promissory notes, and other claims, and \$62,500,000 stock of Western Pacific Ry. (see a following paragraph).

The line of the Western Pacific Ry. (commenced 1904) was placed on an operating basis July 1, 1911, although not then fully completed. The Western Pacific Ry. acquired large terminals and waterfront properties in Oakland, Cal., and San Francisco, Cal., and the line passes through Stockton, Sacramento, Oroville and other important cities.

The actual amount expended by the Western Pacific Ry. to June 30, 1915, was approximately \$77,800,000; including interest on First Mortgage bonds the amount expended was \$84,242,174. Funds

were provided as follows: \$46,243,120 proceeds from sale of First Mortgage 5% 30-year bonds; \$18,802,905 proceeds, with interest, of \$25,000,000 Second Mortgage 5% bonds sold to Denver & Rio Grande R. R.; moneys borrowed, \$16,408,650; income during construction period, \$754,353; interest on trust funds deposited during construction, \$1,870,146.

On March 5, 1915, receivers were appointed for the Western Pacific Ry., interest due March 1 having been defaulted. The interest was not earned and the Denver & Rio Grande R. R. was unable to advance the necessary amount.

REORGANIZATION.

In December, 1915, a plan of reorganization was announced. This plan called for: (1) the elimination by foreclosure of the \$25,000,000 Second Mortgage 5% bonds, the \$26,800,000 claims and unsecured debt owned by the Denver & Rio Grande R. R., and its subsidiary, the Utah Fuel Co., and the \$75,000,000 stock; (2) the payment of receivers' obligations and claims totaling slightly in excess of \$663,626; (3) the retirement of the existing \$50,000,000 First Mortgage bonds (also \$3,750,000 unpaid interest); and (4) the issuance of new securities.

The estimated cash requirements of the new company were \$18,600,000. This included \$600,000 cash on hand and \$18,000,000 realized from the sale of \$20,000,000 new 5% bonds (\$50,000,000 authorized), due March 1, 1946 (see following).

Holders of the defaulted Western Pacific Ry. bonds, upon agreement to transfer to the new Corporation their claim against the Denver & Rio Grande R. R. for interest guarantees, participated in the reorganization under the following conditions: (1) by payment of \$360 cash per \$1,000 bond, the holder received \$400 in new 5% bonds of the R. R. Company, \$550 in new preferred and \$950 in new common stock of the Corporation; (2) by depositing bond and making no payment, the holder received \$500 in new preferred stock and \$750 in new common stock. The total amount of preferred and common stock issuable was \$27,500,000 and \$47,500,000 respectively.

JUDGMENT AGAINST THE DENVER.

In 1903 the old Denver & Rio Grande R. R. by its "Contract B" with the Western Pacific Ry. agreed to maintain the latter as a going concern, supplying funds to meet charges, including interest and sinking fund payments on the First Mortgage bonds. Following default on the Western Pacific bonds in 1915 and resulting foreclosure and reorganization, the Equitable Trust Co., Trustee, and the Western Pacific R. R. Corporation (which through reorganization had acquired 94.9% of the bonds) pressed suit to recover on the Denver Company's obligation. A judgment was entered May 17, 1917, in favor of the Trustee for \$38,270,343, and

this became final when the United States Supreme Court refused to review a decision of the Court of Appeals.

Meanwhile the Denver & Rio Grande R. R. on January 26, 1918, went into receivership on petition of a minor creditor. Through execution sales the Equitable Trust Co. realized about \$10,000,000, including \$4,000,000 for the \$10,000,000 stock of the Utah Fuel Co. (subject to mortgage of the Rio Grande Western Ry.); also stock of the Globe Express Co. and the Western Realty Co. These securities were purchased by the Western Pacific R. R. Corporation. Title to the Utah Fuel Co. stock was litigated by trustees for the Denver Refunding and Adjustment Mortgages. In addition the receiver of the Denver paid the trustee \$2,350,000 by court order.

ACQUISITION OF THE DENVER.

In 1920 the remaining property of the Denver & Rio Grande R. R. was sold at auction to satisfy the judgment and acquired by the Western Pacific for \$5,000,000, subject to funded debt of \$120,226,000. In November, 1920, the Denver & Rio Grande Western R. R. Co. was incorporated in Delaware as successor, issuing 300,000 shares (no par) of common stock, all to the Western Pacific R. R. Corporation. Indebtedness of the old Denver company, secured by lien on properties of the new company, was not assumed by the latter. In July, 1922, trustees for the D. & R. G. First and Refunding 5s and Adjustment 7s obtained appointment of a receiver. A plan for reorganization proposed by Western Pacific R. R. Corporation January, 1922, was thereupon withdrawn.

Under date of June 15, 1923, a new reorganization plan for the Denver was put forward. The plan was modified under date of February 29, 1924. Sale to Missouri Pacific R. R. of a half interest in the Denver for \$9,000,000 was effected, and Western Pacific R. R. Corporation paid \$10,000,000 to the Denver, as provided in the plan. (See under Denver & Rio Grande Western R. R.) The new company took over the property on December 20, 1924.

STOCK DIVIDEND, ETC.

Acquired in realization upon the old Denver Co.'s obligation to former Western Pacific bondholders, the Western Pacific R. R. Corporation in March, 1925, held:

1. Miscellaneous securities, mostly readily convertible into cash, at appraised value and including \$3,809,441 accumulated earnings, \$16,218,700.

2. Half interest in Denver & Rio Grande Western R. R. common stock (subject to voting trust) and in Utah Fuel Co. stock (subject to pledges and to trust for benefit of D. & R. G. W. bonds and preferred stock), at appraised value, \$12,500,000.

3. Also \$3,751,875 General Mortgage bonds and \$2,070,000 pre-

ferred stock of Denver & Rio Grande Western R. R., pledged to secure \$5,175,000 Western Pacific R. R. Corp. 4% notes.

Carrying out the provisions of its certificate of incorporation, respecting recoveries from the Denver, the Western Pacific R. R. Corp. in March, 1925, determined to dispose of these assets, other than the bonds and stock represented by its \$5,175,000 notes, as follows: (1) to capitalize \$25,000,000 by issuance of \$12,500,000 preferred and \$12,500,000 common stock as a stock dividend; (2) to pay \$1,500,000 to the Railroad Co., which would be repaid as a dividend and paid by the R. R. Corporation as a \$5 per share dividend on its common stock; (3) to reserve \$1,218,700 for possible claims on account of the acquisition of Denver & Rio Grande Western R. R. General Mortgage bonds and preferred stock; and, (4) to carry \$1,000,000 free to Profit and Loss.

Stockholders in May, 1925, approved this disposition. At the same time the certificate of incorporation was amended, principally to make the preferred stock cumulative (dividends having been non-cumulative) to extent of 12% beyond amounts earned and unpaid in any year, which would represent additional accumulation.

In July, 1925, the following dividends were paid to Western Pacific R. R. Corp. stockholders: one preferred and one common share to each six shares either preferred or common stock; \$5 cash per common share (as a special distribution) and \$1.558 per preferred share (arrears, earned and unpaid), these dividends not being applicable to shares issued as stock dividends.

CONDITION OF CORPORATION.

Balance sheet of Western Pacific R. R. Corporation on December 31, 1927, showed \$108,882,748 Assets, including the entire \$74,998,700 stock of W. P. R. R., \$12,500,000 representing half interest in the 300,000 common shares of D. & R. G. W. R. R. and \$10,000,000 Utah Fuel Co. stock, \$2,070,000 preferred stock and \$3,751,875 General Mortgage bonds of D. & R. G. W., \$4,451,312 (\$725,521 book value) stock of Sacramento Northern R. R., \$540,000 (book value) advances to subsidiaries, \$300,000 (\$1,500,000 book value) stock of Western Realty Co., \$3,791,103 (\$3,532,212 book value) miscellaneous bonds, \$5,691,711 cash or U. S. Government securities, and of the Corporation's own securities, \$232,000 4% notes, \$1,878,018 preferred and \$2,551,549 common stock; Liabilities consisted of \$5,175,000 4% notes, \$40,000,000 preferred and \$60,000,000 common stock, and \$1,271 accounts payable; Surplus was \$3,706,477.

During 1924 credits to Surplus included: dividends on Utah Fuel stock prior to 1924, released from litigation, \$4,924,355; reappraisal D. & R. G. W. and Utah Fuel equities, \$3,510,449; readjustment of cost of W. P. R. R. stock, \$3,173,563; reappraisal of other securities, \$661,604. There was deducted from Surplus \$1,513,663 in adjustment of treasury stock from par to market value.

Income accounts of Western Pacific R. R. Corporation follow:

Gross Income:	1927	1926	1925	1924
R. R. pfd. divs.....	\$412,500	\$1,650,000	\$2,078,450	\$1,650,000
com. divs.....	.....	.....	2,374,925	.....
Interest	516,093	600,491	534,537	707,827
Prof. on sec. sold, etc..	52,073	50,417	382,484	76,624
Other .....	.....	.....	1,170	3,455
Totals.....	\$980,666	\$2,308,908	\$5,371,567	\$2,437,906
Deductions:	1927	1926	1925	1924
General exp.	\$104,581	\$165,933	\$209,489	\$186,969
Interest	201,380	201,601	209,050	202,363
Taxes, etc.	20,726	3,501	53,813	28,728
Totals.....	\$326,687	\$371,035	\$472,902	\$418,060
Net Income	\$653,979	\$1,929,873	\$4,898,665	\$2,019,846

Combined net income of subsidiary railroads, Western Pacific R. R., Sacramento Northern Ry., Tidewater Southern Ry., and Deep Creek R. R., was \$516,963 in 1927 (\$2,679,596 in 1926) of which the Corporation received \$412,500 (1926, \$1,650,000) as W. P. R. R. preferred dividend, leaving \$104,463 (1926, \$1,029,596) balance. Including this with \$653,979 net income of the Corporation and with \$92,171 net income of other Corporation subsidiaries, Standard Realty & Development Co., Western Realty Co., and Western Refrigerator Line, the Corporation had \$279,117 (1926, \$673,647) surplus after payment of \$571,495 (1926, \$2,285,822) dividends on its preferred stock.

R. R. CO., GENERAL.

The Interstate Commerce Commission in July, 1921, announced a tentative valuation as of June 30, 1914, for transportation property of the Railroad Co. of \$66,075,947. Additions to property account since that date aggregated about \$33,000,000 to December 31, 1924.

The authorized amounts of stock were increased in November, 1927, from \$47,500,000 to \$60,000,000 common and from \$27,500,000 to \$40,000,000 preferred. No additional stock was issued.

The balance sheet, December 31, 1927, of the Western Pacific Railroad Company (entire stock owned by the Railroad Corporation) showed Current Assets (including \$2,609,091 Material and Supplies) \$5,738,510 and Current Liabilities \$2,093,417. Debit balance to Profit and Loss was \$359,511 and Total Corporate Surplus \$5,291,291 including \$5,150,802 Additions to Property through Income and Surplus, \$449,929 Funded Debt Retired through Income and Surplus, and \$50,071 Sinking Fund Reserves. Discount on Funded Debt amounted to \$2,034,138.

In July, 1925, \$4,000,000 First Mortgage 5% bonds, due 1946, were sold at 94¼ and interest, the proceeds being used for general capital purposes. In June, 1926, \$2,600,000 additional bonds were sold at 92 to the highest bidder, Western Pacific R. R. Corporation. During 1927, \$2,950,000 First Mortgage Series A 5% bonds were issued to refund a like amount of First Mortgage 6% bonds.

The R. R. Co. purchased from the Corporation in November, 1925, \$5,196,204 First Mortgage 5% bonds, due 1938 (cost \$3,963,724) of the Sacramento Northern R. R. The entire \$1,000,000 stock of Sacramento Northern Ry. was purchased from the latter company.

Jointly with Atchison, Topeka & Santa Fe Ry., the Western Pacific R. R. in 1925 organized the Alameda Belt Line, to acquire the existing railroad of the City of Alameda and build an extension to serve the industrial area and water front at Alameda, giving direct access to 6,000 acres on Oakland Estuary and San Francisco Bay being developed for industrial purposes.

Jointly with Atchison, Topeka & Santa Fe Ry. and Southern Pacific Co., in 1927 the Western Pacific R. R. acquired one-third interest in Central California Traction Co., a freight and passenger electric line operating between Sacramento and Stockton, with a branch from Lodi Junction to Lodi, 55 miles.

RIO GRANDE SOUTHERN R. R.

Control was transferred to the Western Pacific R. R. Corporation following satisfaction of that company's judgment against the old Denver and Rio Grande R. R. and organization of the succeeding Denver & Rio Grande Western R. R., which took over the property August 1, 1921.

Interest was defaulted on the \$4,509,000 First Mortgage 4% bonds January 1, 1922, and a protective committee was formed (Central Union Trust Co. N. Y. depository).

The Denver & Rio Grande R. R. guarantees \$2,277,000 of this issue of which \$1,779,000 are owned by the Western Pacific.

This is a narrow-gauge road.

In every recent year a Net Deficit has been reported: \$270,577 in 1927, \$183,333 in 1926, \$190,451 in 1925, \$406,267 in 1924, \$205,570 in 1923, \$196,425 in 1922, \$245,865 in 1921, \$16,766 in 1917, etc.

At December 31, 1927, the deficit to Profit and Loss was \$2,279,664; Current Assets were \$110,438 and Current Liabilities were \$2,132,380 including \$440,685 Loans and Bills Payable and \$1,385,880 Interest Matured Unpaid.

DULUTH & IRON RANGE R. R.

See Table, page 172.

The stock of this company is owned by Federal Steel Co., which is in turn owned by the U. S. Steel Corporation. The line extends

from Duluth to Two Harbors, Minn., on Lake Superior, thence to Virginia, the Mesaba Range, etc. A large portion of the system is double tracked. Three steel and concrete ore docks with 600 pockets and total 196,707 tons capacity are owned at Two Harbors.

Dividend payments have been as follows in recent years: 1927, 1926, 1925, and 1924, 15%; 1923, 25%; 1922, 20%; 1921 and 1920, 15%; 1919, 30%; 1918, 7%; 1917, 12%; 1916, 25%; 1915, 50%; 1914-15, 20%; 1913-14, 75%; 1911-12 and 1912-13, 90%; 1910-11, 135%; 1909-10, 100%; 1908-9, 145%.

A tentative valuation of \$28,583,609 as of June 30, 1919, was placed on the transportation property of the company in July, 1924, by the Interstate Commerce Commission.

The company has outstanding \$8,151,000 First Mortgage 5% bonds, due October 1, 1937 (interest April and October).

Of the 7,611,733 tons of freight handled in 1927 (8,051,437 in 1926), 6,940,071 tons were of iron ore (7,439,664 in 1926).

Current Assets, December 31, 1927, were \$8,322,810 and Current Liabilities \$343,183. Liberty bonds valued at \$4,856,480 were owned and were not included in these Current Assets. The credit balance to Profit and Loss was \$8,816,318. There was also \$9,751,984 in Capital Amortization Reserve, \$4,750,034 Surplus Invested in Property, and \$857,634 Surplus Swamp Land Grant Income. In 1927, \$402,878 was credited to Reserve Funds for Accrued Depreciation on Equipment and Docks, bringing the total to \$7,202,533. Total Investment in Road and Equipment was \$31,790,943.

DULUTH, MISSABE & NORTHERN RY.

See Table, page 173.

This line, which is controlled by the United States Steel Corporation, extends from Duluth northward and northwestward into the iron district of Minnesota. Dividends were paid as follows: 100% in 1927 and 1926, 80% in 1925 and 1924, 100% in 1923, and 75% in 1922, 1921 and 1920. Previous dividend payments were irregular though larger in some pre-war years.

Under the "earnings recapture" provision of the Transportation Act the Duluth, Missabe & Northern Ry. made payments to the Government as follows: \$620,000 in 1920, \$89,000 in 1922, \$2,142,000 in 1923, \$545,893 in 1925, \$366,778 in 1926, but none in 1927.

A tentative valuation of \$45,780,030 as of June 30, 1919, has been placed on the transportation property of the company by the Interstate Commerce Commission.

In January, 1922, \$1,174,000 additional General 5% bonds were issued to retire the same amount of maturing First 6s. The original issue of General Mortgage 5% bonds was \$12,798,000 (due January 1, 1941—interest January and July). \$6,531,000 were outstanding December 31, 1927, \$7,441,000 having been redeemed through

sinking fund. In June, 1928, \$623,000 General Mortgage 5% bonds were redeemed at 105.

The company operates three iron ore docks containing 1,152 pockets and with storage capacity of 402,944 gross tons of iron ore. In 1927, of 19,682,115 tons handled (1926, 24,389,617; 1925, 21,373,044; 1924, 16,384,797) ores contributed 18,289,655 (1926, 22,985,728; 1925, 19,954,426; 1924, 14,925,336).

Current Assets on December 31, 1927, were \$26,415,883 (including \$1,341,826 Material and Supplies) and Current Liabilities \$638,263. Credit balance to Profit and Loss was \$32,514,525. In addition \$8,377,878 Appropriated Surplus was Invested in Property, \$4,796,102 Reserved, and \$2,208,032 Invested in Bond Sinking Funds. There were also \$6,952,931 Capital Amortization Reserve, and \$10,390,982 Equipment and Docks Depreciation Fund Reserve. In 1923, \$462,976 was credited to Profit and Loss, adjusting charges to Amortization Reserve in 1918 and 1919 to agree with amortization approved by the Internal Revenue Department.

CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC R.R.

See Table, page 174.

This company was incorporated March 31, 1927, in Wisconsin as the successor to Chicago, Milwaukee & St. Paul Ry. It assumed the operation of the property as of January 13, 1928, following the discharge of receivers. Approval had been given on January 4, 1928, by the Interstate Commerce Commission to the plan for reorganization. In February the new securities of the reorganized company were distributed.

RECEIVERSHIP AND REORGANIZATION.

The approaching maturity on June 1, 1925, of \$46,931,515 4% bonds (amount held by public) prompted the company to engage engineers to report on the condition of the property. As a result of their recommendation that a readjustment of financial structure was required, receivers were appointed on March 18, 1925.

A plan of reorganization was published under date of June 1, 1925. Opposition developed, however, and to meet it several important changes were made. The modified plan was issued as of November 19, 1925.

On the basis of capitalization as of January 1, 1928, this plan effected: (1) A net reduction of \$177,197,019 in fixed interest bearing securities and a reduction of fixed interest from \$20,305,132 to \$12,424,555 annually; (2) the funding of \$130,198,315 obligations (exclusive of \$55,000,000 notes held by the Government) due 1925 to 1934, \$26,175,000 due 1949, and \$72,218,800 due 2014, a total of \$228,592,115, into an equal amount of long term debt, of which \$45,718,423 is due 1975 bearing 5% fixed interest, and \$182,873,692 is due 2000 bearing 5% interest contingent upon earnings; and (3) the

provision for new financing, by creation of a new First and Refunding Mortgage, and by return to the treasury of \$18,000,000 General Mortgage bonds.

The obligations affected by the reorganization were the \$55,000,000 6% notes held by the Government and the \$2,200,000 5% "Timber Loan" which were liquidated, and the \$228,592,115 "junior mortgage" bonds (\$46,931,515 4s of 1925, \$49,980,800 4½s of 1932, \$33,286,000 4s of 1934, \$26,175,000 Puget Sound Mortgage 4s of 1949, and \$72,218,800 "St. Paul" Refunding Mortgage 4½s and 5s of 2014) which were exchanged 80% of par for new 5% Adjustment Mortgage Convertible Income bonds and 20% for 5% 50-Year Mortgage bonds, with cash adjustments of interest from preceding interest date to February 1, 1925.

In liquidation of the \$55,000,000 debt to the Government, one note for \$35,000,000 was paid all in cash, and the other for \$20,000,000 was paid, \$17,000,000 in cash and \$3,000,000 in preferred stock. The alternative of taking \$32,000,000 new Adjustment bonds had been submitted to the Government. Security for the \$20,000,000 note was \$32,000,000 Refunding bonds while the other loan was secured in part by General Mortgage bonds.

Estimated cash required to carry out the plan was \$70,032,548, including \$52,000,000 for use in connection with repayment of Government loans, \$1,544,325 for interest payments on "junior mortgage" bonds to February 1, 1925, and \$3,500,148 for fees and compensation (of which \$1,044,063 for reorganization managers) in effecting reorganization. The payments for fees to reorganization managers were not approved by the Interstate Commerce Commission until March, 1928, in a supplemental decision.

The cash was provided by assessment of preferred and common stock, \$60,676,672 new 5% 50-Year Mortgage bonds being issued for \$70,006,644 cash. Preferred stock paid \$28 per share and received \$24 par value of bonds and common stock for \$32 received \$28 bonds. Stock paying the assessment also received share for share new preferred or common stock.

Obligations as of January 1, 1928, undisturbed in reorganization, amounted to \$181,741,669, including \$99,788,000 outstanding General Mortgage bonds, \$14,000,000 6% bonds due 1934 (secured by General Mortgage bonds and refunded during 1928), \$35,245,669 equipment trust notes and certificates, \$3,000,000 Chicago, Milwaukee & Gary bonds, and \$22,129,000 bonds assumed under lease of Chicago, Terre Haute & Southeastern Ry.

New securities were authorized as follows:

(1) First and Refunding Mortgage bonds, limited to twice outstanding capital stock. Lien is upon all properties subject to approximately \$191,893,000 underlying bonds (including treasury bonds) and upon leasehold of the C., T. H. & S. E. and stock of C., M. & Gary subject to debt of those properties, for refunding all of which bonds would be reserved under the First and Refunding Mortgage.

After issuance of \$150,000,000 for other than refunding, the First and Refunding Mortgage bonds are issuable only for 80% of such capital expenditures. No bonds were issued in the reorganization.

(2) Fifty-Year Mortgage 5% bonds, limited to \$106,395,096, due 1975, subject in lien to the First and Refunding Mortgage. Of the total \$60,676,672 was subscribed by stockholders or underwritten and \$45,718,423 was issuable at the rate of 20% for "junior mortgage" bonds. Beginning April 1, 1936, an annual sinking fund of \$225,000 for this issue is to be provided from income remaining after interest and sinking fund on the Adjustment bonds. Sinking fund will be cumulative and bonds redeemed kept alive.

(3) Adjustment Mortgage Convertible 5% bonds, due January 1, 2000, limited to \$182,873,693, subject in lien to 50-Year 5% bonds. Interest is cumulative from January 1, 1930, and cumulative sinking fund of $\frac{1}{2}\%$ annually will begin April 1, 1936. (Bonds will be held alive in sinking fund and with regular payment of all installments the entire issue would be retired by 1986.) Indenture provides: that all available net income of each calendar year may be applied, that one-third of net income up to \$7,500,000 and all in excess of \$7,500,000 must be applied, so far as necessary for interest and sinking fund requirements (interest payable in multiples of $\frac{1}{4}\%$ and smaller fractions carried forward to the year following); that any net income remaining, in any year for which full interest requirements, or cumulative interest and sinking fund requirements, should not have been met, will be available only for capital expenditures, or for meeting discount on securities sold, or (to extent accrued from 1930) for interest or sinking fund payments on the bonds. The Adjustment bonds are convertible at holder's option into 5 shares of preferred and 5 shares of common stock for each \$1,000 bond. The entire authorized issue of Adjustment bonds was issuable at the rate of 80% for "junior mortgage" bonds in reorganization.

(4) Preferred stock, \$292,380,400 authorized, \$118,845,800 (plus an amount estimated not to exceed \$1,000,000 to be applied in settlement of general claims) issued in reorganization. Entitled to 5% dividends, non-cumulative whether earned or not, and to equal dividends with common stock after 5% on the latter. Entitled to par in dissolution, etc., but a merger, lease, etc., would expressly not be so interpreted. Voting power equal with common stock.

(5) Common stock, 2,097,917 shares authorized, 1,174,060 shares issuable in reorganization. The preferred and common stock are held in voting trust until 1930, to be administered by five trustees, three representing bondholders and one for each class of stock. Provision was made for extension of voting trust beyond 1930 at discretion of majority stockholders.

Interest of 2% on the Adjustment bonds, of which 1½% was in respect of the October 1, 1927, coupon, covering the period from February 1, 1925 to June 30, 1927, and ½% was in respect of the April 1, 1928, coupon, covering the last six months of 1927, was declared in February, 1928. Interest of 2% for first half of 1928 was declared in August.

The report of engineers recommended a program for rehabilitation and purchase of equipment and improvements of road averaging \$15,821,000 annually for ten years. Of this amount \$7,590,000 would be provided from depreciation fund, leaving \$8,231,000 to be financed from earnings or sale of obligations other than equipment notes. The provision of \$5,000,000 additional working capital was also advised.

During the three years, mostly of receivership, to December 31, 1927, approximately \$35,645,000 was expended on capital account for road and equipment, including for passenger and freight cars and for installation of roller bearings on transcontinental train equipment. A new yard at St. Paul costing \$1,425,000 resulted in \$250,000 to \$300,000 annual savings in operation. Owing to retirements of equipment, aggregate capacity of freight cars was 2,659,769 tons December 31, 1927, as compared with 2,701,599 tons December 31, 1924, and aggregate tractive power of locomotives was 69,234,880 pounds, as compared with 74,396,993 pounds. The engineers in 1925 found 12.9% of freight cars had reached the 20-year average limit of useful life. In the three years ending 1927 an average of 52,503 tons of rail or 345.7 track miles annually were laid as compared with average of 17,585 tons or 124.0 track miles in nine years preceding. During receivership the first 130-pound rail was laid and early in 1928 there were 51.3 miles of this rail.

The reorganization plan was declared operative in October, 1925. Foreclosure sale of the property took place in November, 1926.

An attempt was made by minority bondholders to have the terms of sale disapproved. In July, 1927, however, the Circuit Court of Appeals in Chicago affirmed the sale and found no merit in the contention that the stock was to be given an unfair advantage over the junior bonds in the reorganization proposed. The court pointed out that the Jameson Committee, which brought the appeal, represented only \$18,000,000 junior bonds, including \$9,500,000 owned by insurance companies of which only \$1,800,000 had been purchased prior to 1924, whereas about \$170,000,000 bonds had been deposited in favor of the plan.

Application was then made to the Interstate Commerce Commission for approval of the reorganization plan. The Iselin Committee, representing about \$30,000,000 stock, and the Roosevelt Committee representing over \$18,000,000 bonds, supported the plan.

At a hearing before the Interstate Commerce Commission in July, 1927, an estimate of five year earnings was submitted by the company, as follows:

	Gross Rev.	Net Oper. Inc.
First year	\$170,775,000	\$20,015,000
Second year	174,495,000	22,370,000
Third year	178,200,000	24,770,000
Fourth year	182,910,000	28,005,000
Fifth year	186,620,000	29,970,000
Annual increase thereafter...	3,695,000	1,945,000

VALUATION.

On the basis of the Interstate Commerce Commission valuations for the physical properties of "St. Paul" and subsidiaries, an estimate of the equities at December 31, 1927, may be made as follows:

System valuations	\$579,152,229
Net additions to Dec. 31, 1927.....	89,600,000
Other assets, approximately.....	20,000,000
Total	\$688,750,000
Funded debt of reorganized company, including guaranteed bonds of subsidiaries.....	471,010,458
Balance for 1,188,458 preferred and 1,174,060 common shares	\$217,740,000

STOCK OF FORMER COMPANY.

After the payment of 7% on both preferred and common stock both issues were entitled to share alike. Both classes received 7% until March, 1912, when the common dividend rate was reduced to 5%. In September, 1915, the rate was reduced to 4%, but restored to 5% in March, 1916. In 1917, the payments were 2½% March, and 2% September. In 1918 both preferred and common dividends were suspended and none were since paid.

Dividends were paid as follows:

	'97-'00	'01	'02-'11	'12-'14	'15	'16	'17
Common %.....	5	6	7	5	4½	5	4½
Preferred %.....	7	7	7	7	7	7	7

In 1906, \$25,000,000 new stock was subscribed for at par by stockholders. In December, 1906, stockholders were given the privilege to subscribe at par for \$66,328,500 preferred stock and \$33,164,300 common stock, in ratios of 50% and 25% respectively of holdings.

Of the preferred stock about \$40,000,000 was issued in exchange for old issues of 7% convertible bonds and the balance was sold for cash.

PACIFIC EXTENSION.

The proceeds from sale of stock as above were used by the company for the most part in acquiring "a line of railroad with

the necessary terminals, branches, facilities and equipment, to connect with its present line of railroad and to form an extension thereof from its present western terminus to the Pacific Ocean." The main line extending from the Missouri River to Seattle and Tacoma was completed in 1909, and a large number of additional branch lines prior to 1913. The Pacific Extension was operated by the Chicago, Milwaukee & Puget Sound Ry. until January 1, 1913, when the latter was merged into the St. Paul System. The Puget Sound Co. authorized \$200,000,000 First Mortgage 4% bonds due 1949 of which \$26,175,000 are held by the public, \$1,000,000 held in insurance reserve, and \$154,489,500 were deposited under the St. Paul's General and Refunding Mortgage. The Puget Sound Line paid 2.7% dividends in 1909 and 2.3% in 1910-11. No dividends were paid in 1911-12. The earnings of the Chicago, Milwaukee & Puget Sound Ry. while operated separately were as follows:

Year	Avg. Miles Operated	Gross	Surplus
*1909-10	1,434	\$10,765,704	\$2,255,440
1910-11	1,917	14,516,367	2,772,197
1911-12	2,059	16,132,612	†151,538

*Eleven months, August 1, 1909, to June 30, 1910. †Deficit.

The St. Paul in April, 1914, commenced electrification of part of the Puget Sound Line. The company in 1927 had in operation by electricity 655 miles of main line, including 440 miles in Montana over the Rocky Mountains, completed in 1917, and 215 miles in Washington, crossing the Cascade Mountains to Seattle and Tacoma, completed in 1920.

According to official statement the Puget Sound Line in 1917 produced 25% of system gross earnings and 40% of net.

Likewise on official statement, in February, 1925, the savings from electrical operation were as follows, combining results from Harlowton-Avery section from 1916, and from Othello-Tacoma section from March, 1920:

	Freight Ton-Miles and Pass. Miles	Net Savings
1924	2,820,902,000	\$1,066,529
1923	2,993,507,000	1,271,793
1922	2,843,989,000	1,099,786
1921	2,476,952,000	671,014
1920	3,402,419,000	1,928,626
1919	2,894,063,000	1,888,037
1918	2,759,178,000	1,734,687
1917	2,677,097,000	1,641,369
1916	1,639,054,000	1,098,166
Total		\$12,400,007

Net savings were determined by deducting from savings in operating expenses the carrying charges of interest and depreciation on the additional investment of \$15,625,739 required by electrification. The relative costs of operation throughout the period were based upon actual 1923 costs.

BONDS.

In 1909, the St. Paul authorized \$50,000,000 25-year 4% debentures due 1934, \$33,286,000 of which were in public hands December 31, 1926. The proceeds derived from sale of these debentures were used chiefly to construct branch lines in connection with the Pacific Extension. These debentures together with \$48,176,655 4% franc debentures, due June 1, 1925, sold in France, were secured by the General and Refunding Mortgage (see following). Of the debentures sold in France \$11,831,515 remained outstanding in 1928, at reorganization, the balance having been acquired by American bankers and deposited as collateral for a like amount of bonds payable in U. S. gold (\$35,100,000 outstanding in 1928, and \$1,245,139 in the company's treasury and insurance reserve) and due June 1, 1925, likewise. Profit and Loss was debited \$7,768,201 in 1910-11 for discount, commission and expenses in connection with the sale of these two issues of debentures.

The company's General Mortgage (\$150,000,000 authorized 1889) provided for the refunding of a large amount of underlying bonds bearing high rates of interest. Upon reorganization in 1928, General Mortgage bonds were outstanding as follows:

4½% bonds in hands of public	\$42,597,000
4% " " " " "	48,241,000
3½% " " " " "	8,950,000
Total outstanding	<u>\$99,788,000</u>

At reorganization in 1928, the company held \$29,453,000 General Mortgage 5% and \$759,000 4% bonds unpledged in treasury; also \$20,000,000 5% bonds to secure 6% notes. In January, 1924, \$14,000,000 ten-year 6% bonds were sold, secured by pledge of \$20,000,000 General Mortgage 5% bonds. Proceeds were used to repay \$7,000,000 bank loans and for other purposes. The 10-year 6% bonds were redeemed July 1, 1928, at 102¾. In April, 1928, \$24,000,000 General Mortgage Series E 4½% bonds were sold, primarily to refund the 6% bonds redeemed.

In 1913, stockholders authorized a General and Refunding Mortgage. This was an open mortgage and the convertible issues and the debentures are secured under it likewise. There were sold \$43,089,000 4½% bonds, also in 1915 \$29,129,800 5% bonds were sold to stockholders at par. The 5% bonds were convertible into common stock at par to February 1, 1926.

Jointly and severally with Burlington, "Pan Handle" and Pennsylvania Co., St. Paul guarantees \$67,000,000 Chicago Union Station bonds due 1963.

In November, 1918, an issue of \$500,000 Milwaukee & Northern R. R. Consolidated Mortgage extended 4½% bonds, due June 1, 1934, was sold, a direct obligation of the Chicago, Milwaukee & St. Paul Ry.

CONVERTIBLE BONDS.

Stockholders in 1912, subscribed for new convertible 4½% bonds to the extent of 15% of respective holdings. Likewise stockholders in 1913 subscribed to these convertibles to extent of 6% of holdings. These bonds (of which \$49,980,800 were issued) were due June 1, 1932. At the option of the company they were redeemable at 105% and interest. Privilege of conversion into common stock at par expired June 1, 1922.

U. S. GOVERNMENT NOTES.

In 1920 the St. Paul borrowed \$20,000,000 at 6% from the Government, due in 1930. In 1921 a note for \$25,340,000, for funds to meet the maturity of an equal amount of Chicago & Pacific Western Division bonds, and another for \$10,000,000, in part to provide for maturities of \$4,755,000 Wisconsin and Minnesota Division bonds and \$1,360,000 Chicago and Lake Superior Division bonds, were given to the Government. The first mentioned note matured March 1, 1922, and was extended at \$25,000,000 for five years. The second note matured January 1, 1923, and was extended for seven years. The total \$55,000,000 of notes were liquidated in reorganization in 1928 through payment of \$3,000,000 preferred stock and \$52,000,000 cash.

ACQUISITION OF RAILWAYS.

As of December 31, 1918, the properties of six subsidiary companies (capital stock wholly owned) were conveyed to the St. Paul subject to \$1,399,000 outstanding mortgage bonds, and have since been operated as part of the system.

The Chicago, Terre Haute & Southeastern Ry. Co. was leased for 999 years from July 1, 1921, and since operated as part of the system. The lines of this company extend from Chicago Heights to Westport, Indiana, and consist of 361 miles of main track (total track, 571 miles).

On January 1, 1922, the St. Paul acquired control of the Chicago, Milwaukee & Gary Ry., under an agreement by which in return for the \$1,000,000 capital stock and \$2,700,000 of the \$5,700,000 5% First Mortgage bonds due 1948, the St. Paul guarantees the remaining \$3,000,000 bonds principal and interest. This railway has 97 miles of main track and 10 miles of branches, forming an outer belt line around Chicago and connecting with the New York Central and Chicago & Eastern Illinois lines. It is operated separately.

MISCELLANEOUS.

Rail in main track, December 31, 1927, included:

51 miles of 130-pound rail,					175 miles of 70-pound rail,				
993	"	"	100-	"	1,600	"	"	65-	"
3,538	"	"	90-	"	1,820	"	"	60-	"
1,029	"	"	85-	"	672	"	"	56-	"
147	"	"	80-	"	39	"	"	50-	"
1,653	"	"	75-	"					

The St. Paul owns the entire \$500,000 stock of the Milwaukee Land Co. This is a land and timber holding company and has no operations other than sale of its timber. It gave to St. Paul its 6% notes for \$16,295,762 in 1922 and \$100,833 in 1925. The first note was pledged by St. Paul for bank credit. To December 31, 1927, \$5,409,318 of the first note had been paid to the company or receivers, leaving \$10,886,444 balance. Book value of assets of the Land Co. as of January 1, 1928, was \$22,986,506, of which about \$19,500,000 represented timber.

GREAT NORTHERN RY.

See Table, page 175.

Dividends were paid quarterly at the rate of 7% per annum to and including February, 1922. On February 1 and August 1, 1923, 2½% was paid, reducing the rate to 5% annually.

In March, 1922, it was decided to place the dividend on a semi-annual basis. A dividend of 3½% was paid August 1, 1922, making a total of 5¼% in dividends paid in 1922. In explanation of this change it was said:

"Even in normal times the directors could act on dividend matters with much more confidence in June than in March. Crop prospects always are an important factor; they are unknown in March of any year. Likewise the season's iron ore traffic, as well as the general business is measurably determinable by June 20. Another important consideration is that the Chicago, Burlington & Quincy R. R. Co. pays its dividends semi-annually in June and December, so that the available funds from that source will be known in acting upon the Great Northern dividends prior to August and February, respectively."

The Burlington in 1921 paid a stock dividend of about 54.13¼%. At the close of 1921, the Great Northern owned 830,256 shares of Burlington stock, on which an extra cash dividend of 15%, or \$12,453,840, was received in December, 1921.

The Oregon Short Line R. R. (Union Pacific System) sold in 1908-9 the remaining balance (\$3,578,600) of stock owned of the Great Northern Ry. On June 30, 1905, the former owned the equivalent of \$22,503,297 capital stock of the Great Northern Ry.

UNIFICATION PROPOSAL.

Under date of February 7, 1927, a joint committee appointed for the Great Northern Ry. and the Northern Pacific Ry. announced

a plan for unification and requested the deposit of stock to carry it out. According to official statement, the same 13,593 individuals owned 1,559,733 shares or 63% of Northern Pacific and 1,472,354 shares or 59% of Great Northern stock. The time for deposit was extended from April 15 to May 16 and again to June 15. The plan was declared operative in June, over 70% of stock having been deposited. Time for deposit was extended indefinitely.

The plan provided for organization of the Great Northern Pacific Ry. under Delaware charter. This company would (1) acquire the stocks of the Northern companies by exchanging its own stock share for share, (2) lease the properties of the companies, and (3) lease the properties of Spokane, Portland & Seattle Ry. A lease of the Chicago, Burlington & Quincy R.R. was not contemplated.

Terms of leases were announced in June, 1927. Stock not exchanged would receive dividends at the same rate paid on stock of the Great Northern Pacific Ry. Stockholders as alternative to exchange or continuing to hold stock of leased companies were to be entitled to the fair value of stock as determined by the Interstate Commerce Commission or by arbitration. The leases were to be for 99 years.

In submitting the plan to stockholders the committee stated that, owing to the community of interest held for over 26 years in exceeding 97% of Burlington stock and for over 20 years in the Spokane, Portland & Seattle Ry., in equal share, the two Northern companies were logically to be combined, since the common interests could not be advantageously terminated, even if termination were technically practicable. By elimination of waste and duplication of facilities and reduction of capital expenditures, it was estimated that \$10,000,000 annual savings would result from unification. This would equal about 2% on the stock of each company. Application was made to the Interstate Commerce Commission in July, 1927, for authority to proceed with the plan.

Opposition to the proposal was recorded by the Chicago, Milwaukee & St. Paul Ry., also by the Lindley family owning Great Northern Ry. stock who urged the use of Great Northern as nucleus for merger instead of the new Delaware corporation.

STOCK ISSUED.

Since January, 1900, new stock has been sold as follows:

1900	To stockholders at par.....	\$9,000,000
1901	" " " "	25,000,000
1905-6	" " " "	25,000,000
1906-7	" " " "	60,000,000
1912-13	" " " "	21,000,000
1914-15	" " " "	18,480,000
		<hr/>
		\$158,480,000

The sale of this \$158,480,000 stock since January, 1900, explains largely the increase in outstanding stock from \$89,226,610 June 30, 1899.

In 1900 the Employees' Investment Co. was organized and certificates were issued against \$1,188,000 stock assigned to this company. Owing to decline in price of the stock and decrease in the dividend, the employees surrendered certificates for which redemption was arranged by Great Northern Ry. As a result \$633,000 stock was returned to Great Northern Ry. in 1925 and \$555,000 additional will be returned from time to time. In 1927, \$27,800 was so returned.

In August, 1925, the sale of \$300,000 stock at par, to inhabitants of territory affected by a proposed branch extension in Montana, was authorized, the proceeds to be applied toward construction of this line. To December 31, 1927, \$150,900 stock had been paid up and issued including \$60,100 in 1927.

At *December 31, 1923*, there were 43,000 individuals and 1,800 institutions or organizations owning Great Northern Ry. stock. During 1923 the company's employes averaged 32,600. Average stockholding was 55.8 shares.

VALUATION.

The Interstate Commerce Commission reported a final valuation as of June 30, 1915, of \$383,580,815 on total owned property and \$387,084,437 on total used property of the Great Northern Ry. These values are for property used in conducting transportation, after deducting estimated depreciation from cost of reproduction new. Including property not valued by the Commission, the company summarized the relation of its total investment in comparison to total capitalization in the following table presented in the 1922 annual report:

PROPERTY.

Portion of Owned Property Valued as of June 30, 1915..	\$391,740,302
Stocks, Bonds, etc., Not Valued as of June 30, 1915....	227,076,313
Other Property as of June 30, 1915.....	24,315,418
Property Added since June 30, 1915.....	82,359,791
Total	\$725,391,824

CAPITALIZATION.

Bonds	\$291,501,169
Stock	249,477,150
Excess (<i>Jan. 1, 1923</i>).....	184,413,505
Total.....	\$725,391,824

Property not valued by the Commission includes: Nearly 49% of stock of the C. B. & Q. R. R.; one-half the stock of the Spokane, Portland & Seattle Ry.; stocks of some smaller railway companies,

and of coal, lumber, land and other subsidiary corporations; and 604 miles of railroad in Canada.

Since 1922 the increase in surplus of the company was \$27,952,651.

According to statement in the 1927 annual report, on the basis of the Government valuation plus additions and betterments and the ledger value of assets not valued, the equity for Great Northern Ry. stock exceeds \$200 per share.

The Great Northern Ry. claims that the valuation should be substantially increased.

JOINT C., B. & Q. COLLATERAL BONDS.

On July 1, 1921, the Northern Pacific-Great Northern joint 4% bonds amounting to \$215,227,000 matured, and were refunded by a similar issue of \$230,000,000 6½% bonds, from sale of which the two companies realized \$210,114,037. These bonds were redeemable at 103½ and convertible at par into Great Northern General Mortgage 7% bonds or Northern Pacific Refunding and Improvement 6% bonds. On July 27, 1922, the 6½% bonds were redeemed. See also under Northern Pacific Ry. and Chicago, Burlington & Quincy R. R.

The Great Northern Ry. in 1921 claimed that conversion of joint 6½% bonds into its 7% bonds as compared with Northern Pacific 6% bonds, resulted in an increased interest burden subject to equalization as part of the joint financing. The Northern Pacific Ry. opposed this claim and it was submitted to arbitration. In 1923 settlement was effected whereby Northern Pacific paid to Great Northern \$1,500,000.

MORTGAGES.

In 1911 a First and Refunding Mortgage not to exceed \$600,000,000 was created. This mortgage was closed in 1921 at \$72,000,000 (\$35,668,000 4¼s outstanding and \$36,332,000 pledged) owing to execution of the General Mortgage in connection with refunding the joint Burlington bonds. Bonds issued under the General Mortgage mature from 1936 to 2121 and are limited in amount (including bonds reserved to retire prior debt) to three times outstanding capital stock. Outstanding on December 31, 1927, were \$185,859,000 General Mortgage bonds: \$105,859,000 Series A 7%, due 1936, the result of the conversion of Great Northern's entire proportion of the joint Burlington bonds (\$9,141,000 of \$115,000,000 originally issued having been purchased by the company at cost of \$10,402,538 in 1927); \$30,000,000 Series B 5½%, due 1952, sold in February, 1922, at 93⅛, proceeds applied to pay a \$15,000,000 Government loan, to retire \$2,800,000 Minneapolis Union Ry. bonds, and for general purposes; \$15,000,000 Series C 5%, due 1973, sold in May, 1924, at 90 for property expenditures; \$15,000,000 Series D 4½%, due 1976, sold at 91½ in June, 1926, proceeds applied to

capital expenditures; and \$20,000,000 Series E 4½%, due 1977, sold in October, 1927 at 97 for capital expenditures.

Unextinguished discount on funded debt was \$5,859,738 on December 31, 1927.

IRON ORE PROPERTIES.

In 1906, the Great Northern Ry. iron ore properties were leased by companies controlled by the United States Steel Corporation. The Steel Corporation cancelled the lease on January 1, 1915. Since January 1, 1917, a part of the properties has been leased to various companies.

In 1906, the stockholders of the Great Northern Ry. received, unit for unit, certificates of interest (1,500,000) in the company's ore properties. To December 31, 1927, dividends aggregating \$60,750,000 had been paid on the certificates.

According to estimates made as of January 1, 1912, there were at that date contained in the various properties, 430,021,773 tons of iron ore in lands aggregating 65,091 acres.

SPOKANE, PORTLAND & SEATTLE RY.

The Great Northern Ry. jointly with the Northern Pacific Ry. controls the Spokane, Portland & Seattle Ry. (Net deficits, \$1,385,930 in 1927; \$1,404,557 in 1926; \$1,821,701 in 1925; \$1,547,164 in 1924.) This line extends from Portland, Ore., to Spokane, Wash. (total mileage including subsidiaries operated 1927, 916) and affords a through line between these points. The Great Northern Ry. and the Northern Pacific Ry. had advanced large amounts towards the construction of this line. In payment for these advances, the Spokane, Portland & Seattle Ry. delivered to the two parent companies jointly, but for equal division among them, \$40,000,000 stock, also approximately \$73,710,000 First Mortgage 4% fifty-year gold bonds, dated March 1, 1911. The bonds bear the joint guaranty of the two parent companies. The stock is valued at par and the bonds at 70 on Great Northern Ry. books. In 1921 the Great Northern Ry. took into income interest on these bonds for the period March 1, 1915, to March 1, 1920, amounting to \$7,233,100, of which \$1,005,379 had been paid to December 31, 1921. In 1923, to cancel this accrual of unpaid interest, the balance of income remaining after dividend and other appropriations was debited \$5,227,721. In 1927, \$611,399 and in 1926, \$1,250,000 interest was taken up in income account by Great Northern Ry.

MISCELLANEOUS.

To eliminate heavy maintenance expense and reduce cost of operating trains over the Cascade mountains, the Great Northern Ry. late in 1925 undertook the construction of a new line, 10 miles between Scenic and Berne, Wash., involving a single track tunnel 7.8 miles in length, at cost of about \$8,000,000. This is the

longest tunnel on the North American Continent. Advantages of the new line over the old line will be 7.7 miles shorter length, ten less curves totaling 6,627 feet, less rise and fall westward by 501 feet, and 6 miles less of snow sheds. The new tunnel will be more than twice the 3.7 mile length of the old tunnel. Use of helper steam locomotives (required since 1910) was to be discontinued with electrification of 75 miles between Skykomish on the east and Wenatchee on the west of the Cascade tunnel. Contract was made with Puget Sound Power and Light Co. to supply power. The electrification cost about \$2,000,000 additional and was in operation on 24 miles of the road in March, 1927. The new line was expected to be in operation by the end of 1928.

Several bus lines were purchased by Great Northern Ry. in 1925 and consolidated into the Northland Transportation Co., operating in Minnesota where automobile competition was most serious. Under a new law, the State Railroad Commission was empowered to regulate commercial highway traffic, giving franchises, etc. This subsidiary in 1927 carried 2,596,692 (1926, 1,975,024) passengers. In April, 1927, this company acquired the Mesaba Railway Coach Co. in Northern Minnesota, increasing the operated mileage from 2,691 to 2,733 miles. At December 31, 1927, the investment of Great Northern Ry. in Northland Transportation Co. was represented by \$153,001 class A and \$300,003 class B common stock (the book values) and \$1,394,502 notes. In addition 22 rail motor cars have been purchased for local passenger traffic.

Through a subsidiary the Great Northern Ry. in 1927 acquired the entire property of the Inland Empire R. R. and the Spokane & Eastern Ry. & Power Co. Main tracks extended 179 miles and there were 238 miles in all tracks. As independently operated the lines averaged to earn \$60,306 above operating expenses in three years 1924 to 1926. The lines are feeders for Great Northern, serving pine mills and wheat lands in Idaho. Cost of \$1,250,000 compared with \$16,000,000 reproduction value.

In January, 1928, the company was authorized to operate over the lines of the Spokane, Portland and Seattle Ry., the Oregon Trunk Ry., and the Deschutes R. R., in Washington and Oregon, to acquire an undivided three-fourths interest in the railroad of the Shevlin-Hixon Co., extending southerly from Bend, Oregon, to construct a line from the southerly end of the Shevlin-Hixon road to a point near Chemult, Oregon, to operate over the line of the Southern Pacific Co., between a point near Chemult and Klamath Falls, Oregon, and to acquire control, jointly with Southern Pacific Co., of the Oregon, California and Eastern Ry., by purchase of capital stock. The total mileage operated by the latter company is approximately 50 miles and its principal termini are Klamath Falls and Sprague River Landing, Oregon. The contracts made with the Southern Pacific give the Great Northern half ownership, or its equivalent in long term trackage rights, of all the railway lines in the Klamath

Basin except those owned by logging and lumber companies, and except that at Klamath Falls the Great Northern and Southern Pacific each has its own terminals.

The Klamath Falls division was opened for traffic in May, 1928. It serves approximately 10,000 square miles of territory containing timber and cultivated and grazing lands.

Construction on a new line extending 78 miles northwest from Saco, Montana was expected to be completed in 1928.

Weight of rail in first main track (7,768 miles) on December 31, 1927, was as follows:

68 miles of 130-pound rail,					395 miles of 75-pound rail,				
149	"	"	110-	"	206	"	"	70-	"
190	"	"	100-	"	507	"	"	68-	"
2,993	"	"	90-	"	36	"	"	66½-	"
495	"	"	85-	"	806	"	"	60-	"
312	"	"	80-	"	973	"	"	56-	"
638	"	"	77½-	"					

On December 31, 1927, total tractive power of locomotives was 56,986,049 pounds as compared with 49,531,490 on December 31, 1916; total freight car capacity was 2,146,427 tons as compared with 2,144,523 tons.

Of 33,843,008 tons carried in 1927 (35,117,929 in 1926; 33,494,620 in 1925; 31,669,750 in 1924), 14,547,913 were iron ore (16,427,072 in 1926; 14,804,347 in 1925; 13,539,021 in 1924; 17,676,007 in 1923).

A comparison of tonnage and revenues from products of mines, principally iron ore, and products of agriculture, principally wheat, follows:

	1927		1926		1925		1924	
Percentages of Total Rev.	Ton.		Rev.	Ton.	Rev.	Ton.	Rev.	Ton.
Mines %.....	20	57	22	60	22	58	21	56
Agriculture %..	30	18	27	15	28	17	33	21

The following sums were transferred from surplus earnings to Fund for Permanent Improvements and Renewals:

Year 1904-5.....	\$3,000,000	Year 1910-11.....	\$2,818,338
Year 1905-6.....	5,130,910	Year 1911-12.....	3,502,000
Year 1906-7.....	4,934,976	Year 1912-13.....	4,250,000
Year 1907-8.....	2,468,832	Year 1913-14.....	1,000,000
Year 1908-9.....	2,789,961	Year 1914-15.....	1,000,000
Year 1909-10.....	2,319,158	Year 1915-16.....	3,500,000

In 1917, \$5,385,635 was appropriated to a Reserve for Funding Company Obligations. In 1918, \$589,482 and in 1919, \$2,500,000 were appropriated from earnings for Investment in Physical Property. There were no such appropriations in 1920, 1921 and 1922. In 1923, \$467,711, in 1924, \$318,359, in 1925, \$120,389, in 1926, \$107,545, and in 1927, \$192,555 were appropriated from Profit and Loss for Investment in Physical Property.

ASSETS AND LIABILITIES.

Current Assets on December 31, 1927, were \$60,552,381 (including \$10,404,003 Material and Supplies) and Current Liabilities were \$23,906,194 (including \$6,500,000 Loans and Bills Payable). Credit to Profit and Loss was \$115,886,889 and Appropriated Surplus was \$38,502,863.

The Burlington stock (\$83,017,900 par value owned) is carried at \$109,245,456, including which investments in affiliated companies totaled \$240,591,194 book value; and other investments \$5,313,942 including \$1,625,000 Liberty bonds.

MINERAL RANGE R. R.

See Table, page 176.

No dividends have been paid since 1898 on the capital stock of this company, about 53% of which is owned by Duluth, South Shore & Atlantic Ry.

The Canadian Pacific Ry. owns \$1,254,000 First Mortgage 4% bonds of this company.

By lease Mineral Range R. R. operates the Hancock & Calumet R. R. (11 miles operated in 1927), owning the entire \$350,000 capital stock of the latter. The \$325,000 Consolidated Mortgage 5% bonds, due 1931, have been assumed by Mineral Range R. R.

As of December 31, 1927, non-negotiable debt to Duluth, South Shore & Atlantic Ry. amounted to \$131,165. Current Assets were \$178,605 (including \$60,390 Material and Supplies) and Current Liabilities \$543,826 (including \$2,000 Matured Bonds Unpaid, \$311,071 Matured Equipment Obligations Unpaid and \$130,270 Matured Interest Unpaid). Debit balance to Profit and Loss was \$718,680.

In 1927, of the 411,186 tons total traffic, 181,033 tons were forest products.

MINNEAPOLIS & ST. LOUIS R. R.

See Table, page 177.

On July 26, 1923, a receiver was appointed. Interest due August 1 on the Refunding and Extension 5s, due September 1 on the First and Refunding 4s and Iowa Central First and Refunding 4s, due May 1, 1924 on the First Consolidated 5s, June 1 on the Iowa Central First 5s, and July 1 on the Des Moines and Fort Dodge First 4s and December 1 on the M. & St. L. First Mortgage 7s was not paid. Foreclosure suits were brought. Protective committees have been formed for most of the various bonds and for stockholders.

The extension of \$950,000 First Mortgage 7% bonds due June 1, 1927, for five years at 6% was arranged by bankers for 2½% commission. Holders of \$650,000 bonds declined the extension and these bonds were taken by bankers and re-offered at 101½ as ex-

tended. The extended bonds are redeemable at 102½ to June 1, 1928, and at ½ less annually thereafter.

A report by engineers in April, 1924, recommended that rehabilitation of the property required issuance of \$6,000,000 receivers' certificates, that physical improvement should include expenditure of \$3,895,000 (\$2,785,000 for road and \$1,110,000 for equipment) during three years 1924-1926. During 1924 under various court orders, a substantial rehabilitation program was carried on. A total \$820,180 was included in operating expenses for the year on this account, largely expended in rebuilding equipment.

PREFERRED STOCK PROPOSED.

In August, 1922, it was proposed to issue 7% non-cumulative preferred stock to be exchanged at par for Refunding and Extension bonds. Of surplus remaining each year after interest, taxes and depreciation, 20% would have been applied to retirement of this stock. Authority was also sought to reissue the bonds so acquired with interest at 6% instead of 5%. To date of receivership no action on this proposal by the Interstate Commerce Commission had been reported.

READJUSTMENT IN 1916.

Under date of January 31, 1916, a plan of readjustment was announced. The plan, while it called for the formation of a new company, did not disturb any bonds or equipment obligations of the system. Each \$100 preferred stock received \$70 in new common stock and by paying \$20 received an additional \$80 in new common stock. Each \$100 common stock received \$22 in new stock and by paying \$20 received \$78 additional new stock. The cash requirements of the plan were \$4,530,200 which was raised by stock subscription as above. Of the proceeds \$3,600,000 was used to retire notes, bills, etc. The new company issued \$25,792,600 stock as per plan. No dividends were ever paid on this stock.

The old preferred stock had a prior right to 5% non-cumulative dividends, and after the common received 5%, was entitled to share pro rata in further dividends. Dividends were paid (semi-annually) on the preferred to and including January, 1910. The July, 1910, dividend was passed. Prior to 1904, dividends at the rate of 5% had been paid for several years on the common stock.

ACQUISITION OF IOWA CENTRAL RY.

The Minneapolis & St. Louis Ry., in 1911, acquired the Iowa Central Ry. The plan provided for the sale of the property of the Iowa Central Ry. to the Minneapolis & St. Louis Ry., and for the payment by the former company to the latter company of \$2,500,000 in consideration of the delivery by the latter company of \$1,917,500 of its preferred stock, \$9,370,200 of its

common stock, and \$2,500,000 of its Refunding and Extension Mortgage 5% bonds, due February 1, 1962. (Proceeds used to pay off obligations.) Said bonds are a part of an authorized issue of \$75,000,000 and are secured by mortgage upon the two railroads, subject to existing liens thereon, also a first lien upon the line Watertown to Leola, S. D., and Conde to Akaska, S. D. (217 miles).

The securities received by the Iowa Central Ry. were distributed upon the following basis:

\$100 preferred and \$900 common stock of Minneapolis & St. Louis Ry. for \$1,000 preferred stock of Iowa Central Ry., and \$100 common stock of Minneapolis & St. Louis Ry. for \$200 common stock of Iowa Central Ry.

The merger of the two companies increased the mileage of the Minneapolis & St. Louis Ry., to 1,586 miles. (Present mileage, 1,628.)

The income account of the Iowa Central Ry. for a series of years follows:

Year	Mileage	Gross	Surplus	Year	Mileage	Gross	Surplus
1907-8	558	\$3,002,475	\$215,199	1909-10	558	\$3,361,282	def. \$26,664
1908-9	558	3,015,647	def. 227,521	1910-11	559	3,511,537	def. 16,028

The Minneapolis & St. Louis Ry. earnings for a similar period were as follows:

Year	Mileage	Gross	Surplus	Year	Mileage	Gross	Surplus
1907-8	1,005	\$3,826,516	\$108,980	1909-10	1,027	\$4,945,391	\$77,937
1908-9	1,027	4,171,315	def. 96,959	1910-11	1,027	5,094,017	75,884

Of the Refunding and Extension Mortgage bonds referred to above, there had been issued to December 31, 1927, \$8,985,000 of which \$4,004,956 were outstanding. Of the First and Refunding 4% bonds (dated 1899, due 1949) \$13,244,000 had been issued and were all outstanding.

DES MOINES & FORT DODGE R. R.

In 1904, the Minneapolis & St. Louis Ry. acquired control of Des Moines & Fort Dodge R. R. (156 miles operated) through purchase of a majority of the common stock. The \$3,072,000 4% First Mortgage bonds of the Des Moines & Fort Dodge R. R. were guaranteed, principal and interest, and assumed by the Minneapolis & St. Louis Ry.

CHARACTER OF RAIL, ETC.

Main track contained December 31, 1927:

12 miles of 90-pound steel,	554 miles of 70-pound steel,
461 " " 85- " "	20 " " 66- " "
203 " " 80- " "	118 " " 60- " "
1 mile of 56-pound steel.	

The 154 miles of branches included 7 miles of 80-pound rail, 32 miles of 70-pound rail, 80 miles of 60-pound rail, and 35 miles of 56-pound rail.

In 1924, 12 miles of road, Akaska to Le Beau, S. D., were abandoned.

Ballast in main track, December 31, 1927, compared as follows:

	1927	1916
Gravel	889 miles	1,098 miles
Cinders	365 miles	60 miles
Unballasted	252 miles	371 miles

Of 6,468,551 tons of freight carried in 1927, 1,061,976 were bituminous coal and 1,796,910 grain, flour and other mill products.

BALANCE SHEET.

As of December 31, 1927, Working Assets (including \$1,376,781 Material and Supplies) were \$4,910,268 and Working Liabilities were \$19,537,115 (including \$1,950,000 Receiver's Certificates, \$2,855,597 Bills Payable and \$8,402,083 Matured Interest Unpaid). The debit balance to Profit and Loss was \$11,382,373. Unextinguished Discount on Funded Debt was \$1,858,384 and on Capital Stock \$8,339,182.

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RY.

See Table, page 178.

Each year's surplus earnings are regarded as a separate fund. If dividends are declared from any such fund the first 7% on par goes to the preferred stock, the next 7% goes to the common stock, and any further dividends from the same source must be in equal percentages on both preferred and common. Dividends have been paid in past years as follows (April and October):

	'02	'03 to '07	'08 to '09	'10 to '21
Preferred	7%	7%	7%	7%
Common	2%	4%	6%	7%

In March and December, 1922, and March, 1923, semi-annual dividends of 2% each were declared on both common and preferred stocks payable from surplus accumulated in the period of 1909 to 1919. Payment was restrained by court order at instance of preferred stockholders. Suit was carried to the Supreme Court. On October 15, 1923, the Supreme Court denied preferred stockholders' appeal and the previously declared dividends were paid. In December, 1923, 4% was paid on both preferred and common stocks, also from accumulated surplus. No dividends were paid in 1924 to 1927 inclusive.

RELATIONS WITH OTHER COMPANIES.

As of December 31, 1927, the Canadian Pacific Ry. owned \$12,723,500 common and \$6,361,800 preferred or 50.5% of the stock of this company, also \$3,993,000 Consolidated Mortgage 4% bonds.

The Canadian Pacific Ry. guarantees the interest on considerable of this company's bonds, including \$56,863,000 Consolidated Mortgage 4s and \$8,136,000 of the \$14,284,000 5s (maturity July 1, 1938). Principal exceptions are \$6,148,000 Consolidated 5s, \$2,400,000 First and Refunding 6s, \$10,000,000 secured 6½s due 1931, and various notes.

On April 1, 1909, by the expenditure of \$3,661,121, the Minneapolis, St. Paul & Sault Ste. Marie Ry. acquired about 51% of the outstanding common stock of the Wisconsin Central Ry. The company also secured practically all of the preferred stock of the Wisconsin Central Ry., issuing its 4% stock certificates in exchange. The Wisconsin Central was leased for 99 years. In 1924 all but \$217,500 of the minority common stock was acquired, the "Soo" giving a par amount of \$43.25 per share in 5½% 25-year notes. In 1925, \$59,200 additional stock, in 1926, \$5,300, and in 1927, \$4,400 was acquired. A total \$3,405,332 5½% notes have been issued, including \$7,132 held by the company, secured by \$7,873,600 stock. The notes are redeemable by sinking fund in increasing annual amounts beginning with \$100,000 March 1, 1930. See under Wisconsin Central Ry.

The Wisconsin & Northern R. R. was acquired in 1921 for \$668,500 in cash and \$2,671,000 of Consolidated Mortgage bonds. This line extends 134 miles from Crandon to Neenah, Wisconsin, and affords a shorter route between the Upper Peninsula of Michigan and the Chicago and Milwaukee territory.

An unprofitable connection with the Clarkson Coal Co., through ownership of half (\$750,000) the stock, was severed July 1, 1927. The original agreement included a ten year contract to purchase coal on a cost-plus basis, price to be adjusted to market prices. Excess of such payments over market price was carried as cash advances to coal company, to be adjusted on July 1, 1927, on which date they amounted to \$3,035,929, resulting in a debit of \$1,285,429 to Profit and Loss in 1927.

BONDS.

During 1921, a First Refunding Mortgage was executed, under which \$15,000,000 6% bonds were issued, of which \$12,500,000 were pledged to secure \$10,000,000 6½% bonds, due 1931, and \$2,500,000 were sold in March, 1922. Sinking fund is provided for the Series A bonds outstanding under this mortgage.

In 1925, \$8,136,000 Consolidated Mortgage 5% bonds, guaranteed as to interest by Canadian Pacific Ry., were sold, refunding a like

amount of Minneapolis, Sault Ste. Marie & Atlantic Ry. First Mortgage bonds due January 1, 1926.

The "Soo" guarantees principal and interest \$7,500,000 3-year 5½% notes of Wisconsin Central Ry. sold in December, 1926, secured by \$10,000,000 First and Refunding 5s, all bonds under which mortgage are guaranteed as to interest by the "Soo." These notes refunded \$6,000,000 5½s, redeemed March 1, 1927.

The Central Terminal Ry. (\$2,000,000 stock owned by the "Soo Line") was formed to construct new terminals in Chicago and \$6,000,000 4% 30-year Chicago Terminal First Mortgage bonds of an authorized issue of \$20,000,000 were sold in 1911. There are now outstanding \$3,902,000 (also \$2,098,000 in sinking fund) guaranteed principal and interest by the "Soo Line" and by the Central Terminal Ry. of Illinois.

STOCK ISSUED.

In 1907-8, the authorized stock was increased from \$14,000,000 to \$28,000,000 common and from \$7,000,000 to \$14,000,000 preferred. Stockholders were offered the right to subscribe pro rata at par for \$2,800,000 common stock and \$1,400,000 preferred stock.

In March, 1909, stockholders subscribed pro rata at par for \$2,016,000 new preferred stock and \$4,032,000 common stock.

In April, 1911, stockholders subscribed pro rata for \$2,187,400 preferred stock and \$4,374,800 common stock at par.

GENERAL.

A tentative valuation of \$104,674,000 as of June 30, 1916, was placed on the transportation properties of the company in July, 1924, by the Interstate Commerce Commission. In the 1924 annual report it was stated that, adding to this valuation the value of subsequent additions and betterments and of property not used for transportation purposes, the company's assets exceeded the par value of stock, bonds and other liabilities by about \$6,000,000.

Amount of wheat carried in 1927 was 1,107,680 tons, or 11.2% of total, against 791,816 in 1926, 1,223,632 in 1925, 1,258,808 in 1924, 1,030,318 in 1923, 1,062,735 in 1922, 1,082,307 in 1921, 1,185,088 in 1917 and 1,684,522 in 1916. There were also 1,496,783 tons of iron ore and 2,587,738 tons of forest products handled (1,612,321 and 2,547,352 in 1926).

On December 31, 1927, Current Assets of the "Soo Line" were \$11,778,051, including \$3,675,432 Material and Supplies, and Current Liabilities were \$7,312,485, including \$1,325,000 Loans and Bills Payable. The credit balance to Profit and Loss was \$17,520,927.

WISCONSIN CENTRAL RY.

(Minneapolis, St. Paul & Sault Ste. Marie Ry.—Chicago Division.)

See Table, page 179.

The preferred stock is entitled to non-cumulative dividends of 4% per annum, and after 4% dividends shall have been paid in any year on both classes of stock, both shall participate equally in any further dividends for such year. In December, 1908, an initial dividend was declared on this stock at the rate of 4% per annum, which rate was paid 1913-1921 inclusive. The April 1, 1922 dividend was not paid; none since. No dividends have been paid on the common stock.

CONTROL BY THE "SOO" LINE.

In 1909, through the purchase of preferred stock and about 51% of common stock, control of the Wisconsin Central Ry. was secured by the Minneapolis, St. Paul & Sault Ste. Marie Ry. (controlled by Canadian Pacific Ry.), affording that company a Chicago connection.

The "Soo Line" issued its leased line stock certificates in exchange for the preferred stock of the Wisconsin Central Ry., which stock is now held in trust. As a part of the lease of Wisconsin Central Ry. the "Soo Line" expressly obligated itself to pay 4% per annum on these certificates, payable semi-annually for 99 years.

The lease became operative April 1, 1909. To December 31, 1927, \$11,249,500 of the leased line certificates had been issued in exchange for an equal amount of Wisconsin Central Ry. preferred stock, leaving \$16,400 outstanding stock unexchanged.

In 1922 a committee was formed in the interest of the minority common stock. Agreement of the "Soo" was obtained to buy Wisconsin Central minority common stock at \$43.25 per share, payable in 25-year 5½% collateral trust notes dated March 1, 1924. Sinking fund to retire the notes in increasing annual amounts commences with \$100,000 March 1, 1930. The privilege of exchanging stock for these notes expired April 1, 1924. All excepting \$217,500 minority common stock was exchanged for the notes in 1924. An additional \$59,200 stock was acquired by the "Soo" in 1925, \$20,600 notes being issued, \$5,300 in 1926, for \$2,200 notes, and \$300 in 1927, for \$100 notes.

The "Soo" at December 31, 1927, owned 99.09% of the common and 99.82% of the preferred stock.

BONDS.

In 1905-6, the Superior & Duluth Division & Terminal Mortgage was created securing an issue of 4% bonds due 1936. Of the bonds \$7,500,000 were sold and the proceeds used to provide in part for the cost of a line from Owen to Duluth, 160½ miles,

including terminals in Superior and Duluth. No additional bonds will be issued under this mortgage.

In 1909, a First and Refunding Mortgage was authorized securing \$60,000,000 4% bonds, due April 1, 1959. Of these bonds, \$36,459,000 were reserved to refund existing bonds and equipment obligations; \$5,816,000 of these bonds were held by the public December 31, 1925. The First and Refunding Mortgage bonds are guaranteed as to interest by the "Soo Line."

In December, 1926, \$7,500,000 3-year 5% notes, secured by \$10,000,000 First and Refunding 5s, were sold at 97 to bankers. The notes are guaranteed by the "Soo" principal and interest, and the bonds pledged are guaranteed as to interest. The notes refunded \$6,000,000 5½% notes which had been sold in April, 1924, and were redeemed March 1, 1927.

GENERAL.

By operation of the sinking fund and by other transactions there has been effected the retirement and cancellation of approximately \$3,000,000 of First General Mortgage bonds.

Tentative valuation of \$50,284,398, has been placed on carrier property of the company as of June 30, 1917.

Of the 9,237,289 tons of freight handled in 1927, iron ore tonnage was 2,050,043 and tons of forest products 2,558,124.

The balance sheet as of December 31, 1927, showed Current Assets \$1,255,667, and Current Liabilities \$745,795. Credit balance to Profit and Loss was \$4,541,125 and Appropriated Surplus was \$1,178,275.

MONTANA, WYOMING & SOUTHERN R. R.

See Table, page 180.

No dividends have been paid on the company's stock in recent years.

This railway extends from Bridger on the Northern Pacific Ry. to Washoe, Mont. (24 miles), with branches (3 miles). An extension to Cook City, Mont., with branches to the Bear Creek and the Sunlight Mining Districts (total 100 miles) was at one time projected.

The \$835,000 First Mortgage 5% bonds of this company mature September 1, 1939. Additional bonds are issuable at \$25,000 per mile, under carefully guarded restrictions.

This railway is controlled in the interest of the Anaconda Copper Mining Co.

In 1925, 395,049 gross tons of coal were handled, the least since 1916. In 1927 this tonnage was 404,643.

Current Assets, December 31, 1927, were \$215,901 (including \$15,634 Material and Supplies) and Current Liabilities were \$30,002 (including \$10,078 Loans and Bills Payable). Credit balance to Profit and Loss was \$602,369.

NORTHERN PACIFIC RY.

See Table, page 181.

The stock of this company received 7% in 1903 and 6¾% in 1904. Thereafter 7% was regularly paid to and including the quarterly dividend paid February 1, 1922. Beginning with the May 1, 1922, dividend the rate was reduced to 5%.

In 1908, in addition to the regular dividend an extra dividend of \$11.26 per share was paid from accumulated surplus of the Northwestern Improvement Co., which company is owned by the Northern Pacific Ry.

There were 37,895 stockholders on December 31, 1927, of whom 32,462 held less than 100 shares.

UNIFICATION PROPOSED.

Under date of February 7, 1927, a joint committee appointed for the Great Northern Ry. and the Northern Pacific Ry. announced a plan for unification and requested the deposit of stock to carry it out. According to official statement, the same 13,593 individuals owned 1,559,733 shares or 63% of Northern Pacific and 1,472,354 shares or 59% of Great Northern stock. The time for deposit was extended from April 15 to May 16 and again to June 15. The plan was declared operative in June, over 70% of stock having been deposited. Time for deposit was extended indefinitely.

The plan provided for organization of the Great Northern Pacific Ry. under Delaware charter. This company would (1) acquire the stocks of the Northern companies by exchanging its own stock share for share, (2) lease the properties of the companies, and (3) lease the properties of Spokane, Portland & Seattle Ry. A lease of the Chicago, Burlington & Quincy R.R. was not contemplated.

Terms of leases were announced in June, 1927. Stock not exchanged would receive dividends at the same rate paid on stock of the Great Northern Pacific Ry. Stockholders as alternative to exchange or continuing to hold stock of leased companies were to be entitled to the fair value of stock as determined by the Interstate Commerce Commission or by arbitration. The leases were to be for 99 years.

In submitting the plan to stockholders the committee stated that, owing to the community of interest held for over 26 years in exceeding 97% of Burlington stock and for over 20 years in the Spokane, Portland & Seattle Ry., in equal share, the two Northern companies were logically to be combined, since the common interests could not be advantageously terminated, even if termination were technically practicable. By elimination of waste and duplication of facilities and reduction of capital expenditures, it was estimated that \$10,000,000 annual savings would result from unification. This would equal about 2% on the stock of each company. Application

was made to the Interstate Commerce Commission in July, 1927, for authority to proceed with the plan.

Opposition to the proposal was recorded by the Chicago, Milwaukee & St. Paul Ry., also by the Lindley family owning Great Northern Ry. stock who urged the use of Great Northern as nucleus for merger instead of the new Delaware corporation.

Hearings upon the plan were conducted by the Interstate Commerce Commission in 1927 and 1928.

PROPERTY VALUATION.

A tentative valuation of \$415,255,915 as of June 30, 1917, for property of the Northern Pacific Ry. used for transportation purposes was found by the Interstate Commerce Commission in February, 1927. On the basis of this finding, the company made a comparison as of December 31, 1927 substantially as follows:

PROPERTY.	CAPITALIZATION.
Transportation property valued as of June 30, 1917.....\$415,255,915	Capital stock .....\$248,000,000
Additions and betterments to December 31, 1927 101,278,136	Funded debt 318,232,000
Other property valued but not used in transportation 42,807,412	Excess of property over capitalization. 195,718,055
Investments in affiliated companies .. 202,608,592	
Total .....\$761,950,055	Total .....\$761,950,055

The actual corporate surplus shown on the books of Northern Pacific Ry. on December 31, 1927 was \$193,050,628.

JOINT BURLINGTON FINANCING.

In 1921 the \$215,227,000 4% bonds issued in 1901 to purchase stock of the Chicago, Burlington & Quincy R. R. matured and were refunded by a similar joint issue of the Northern Pacific and Great Northern Rys. of \$230,000,000 6½% convertible bonds, redeemable at 103½. Northern Pacific's proportion of \$115,000,000 was convertible at par into Refunding and Improvement 6% bonds, due 2047, but redeemable at 110 after June 30, 1936. To December 31, 1921, \$9,950,400 had been converted, leaving \$105,049,600 6½% bonds outstanding. (Great Northern's share had been wholly converted into that company's 7% bonds.) On July 1, 1922, these bonds were called for redemption. Most of them were converted prior to that date and only about \$8,000,000 were paid in cash, to provide which \$8,702,300 5% Refunding

and Improvement bonds were sold. In 1922 Profit and Loss was charged \$8,522,280 for discount and expense on joint 6½s issued and retired, and \$269,654 for premium on 6½s redeemed. In 1923, the Northern Pacific Ry. paid \$1,500,000 to the Great Northern Ry., settling the latter's claim for adjustment of increased interest charges arising from "Burlington" refunding. This amount, which had been fixed by arbitration, was charged to Profit and Loss in 1923.

BURLINGTON STOCK OWNED.

The Burlington in 1921 paid a stock dividend of about 54.13¼% and placed the increased stock on a 10% dividend basis, payable semi-annually (June and December). In December, 1921, an extra cash dividend of 15% was also paid, the Northern Pacific Ry. receiving \$12,451,530 therefrom. As of December 31, 1927, the Northern Pacific Ry. owned \$83,017,900 Burlington stock (an equal amount owned by Great Northern Ry.) valued at \$109,245,973.

Annual interest on bonds representing purchase of this stock (since redemption of the 6½s) requires approximately \$6,873,000 annually while 10% dividends on the stock provide \$8,301,790.

SECURITIES OWNED.

On December 31, 1927, the Northern Pacific Ry. held among its treasury securities \$24,800,000 stock of the Northwestern Improvement Co. carried at \$6,775,000 book value, \$100,000 common stock of the Colorado & Southern Ry. valued at \$56,400, \$20,000,000 stock (carried at par) and \$31,855,000 4% bonds (book value \$22,298,500) of the Spokane, Portland & Seattle Ry. (see a following paragraph). In 1927, \$528,452 and in 1926, \$1,080,417 interest was accrued on the S. P. & S. bonds.

In 1924, 1925, 1926, and 1927, the Northwestern Improvement Co. paid to Northern Pacific \$992,000 cash dividends in each year; also in 1924, \$18,025,000 stock dividend was paid but was not taken up in book value of N. W. I. stock.

As of December 31, 1927, the Northwestern Improvement Co. held among its assets \$24,166,869 book value (\$25,616,448 par value) of securities including the following: \$5,000,000 Spokane, Portland & Seattle Ry. 4% bonds (cost \$3,500,000); \$160,000 Colorado & Southern Ry. common stock (cost \$95,999); \$1,928,600 Northern Pacific stock (cost \$2,744,480) and \$1,038,000 Northern Pacific prior lien 4% bonds, and \$13,598,350 (1926, \$13,634,850; 1925, \$12,355,350; 1924, \$8,958,991) in Government securities. Income from securities in 1927 was \$647,827 (1926, \$721,372; 1925, \$441,241; 1924, \$569,901; 1923, \$740,958; 1921, \$1,016,927). The Northwestern Improvement Co. also owns and operates extensive coal, ore and lumber properties. In 1925 the Norpac and Impro iron ore properties were leased to the Hanna Co. on substantial royalty basis and with relief

from heavy taxes. In 1926 the Feigh iron mine, leased by the Cuyuna Realty Co., a subsidiary of the Northwestern Improvement Co., was reopened for operation and 19,770 tons produced, a contract subsequently being made for supervision of mining and sale of ore by outside interests.

About 445,000 acres of land and a number of coal mines and considerable iron ore property are owned by the Northwestern Improvement Co. Its coal mines in Washington and Montana are reported to produce about 2,000,000 tons annually for use by the railroad on the lines between the Missouri River and Puget Sound. Earnings from operation of the Montana mines alone were said to have been \$1,273,181 in 1926. Its iron ore properties are in the Cuyuna Range, about 95 miles from Superior and Duluth, and are expected to be developed ultimately.

According to evidence submitted at a hearing in connection with the Great Northern merger proposal, the principal items of assets of the Northwestern Improvement Co. in 1926 were as follows:

Securities owned	\$22,325,477
Iron ore properties	4,447,284
Coal properties	4,068,970
Missouri Division land	3,160,286
Unimproved real estate	1,933,046
Washington coal and timber lands.....	618,456
Cash	1,878,247
Receivables, etc.	5,490,899
Total	\$43,922,665

Of the stock of the Northern Express Co., \$4,490,000 is owned by Northern Pacific Ry. and \$10,000 is owned by the Northwestern Improvement Co. At the close of 1927, the Northern Express Co. owned \$94,000 Northern Pacific Ry. stock (cost \$107,933), \$100,000 common (cost \$64,388) and \$100,000 second preferred (cost \$80,450) stock of Colorado & Southern Ry., also bonds of various issues.

All of the \$343,000 stock of the Northern Pacific Express Co. is owned by the Northern Pacific Ry. This company in 1927 paid \$10,000 and in 1926 \$8,000 dividends. At December 31, 1927, it owned \$160,000 Northern Pacific Ry. stock (cost \$254,950).

These subsidiaries together at the close of 1927 held \$15,494,250 par value of U. S. Government securities. Total income from all securities was \$764,087 in 1927.

RECENT FINANCING, ETC.

In January, 1923, \$10,000,000 bonds were sold under the Refunding and Improvement Mortgage, bearing interest at 5%, proceeds applied to retire prior lien bonds.

In the twelve years ending 1927, \$106,905,862 was expended for additions and betterments to the property while funded debt in the

hands of the public decreased \$6,000,900, aside from the increase due to refunding the Burlington joint bonds which has been more than cared for by increased dividends from the Burlington.

STOCK ISSUED, ETC.

In 1907, stockholders were given the right to subscribe for \$93,000,000 new stock at par to the extent of 60% of their respective holdings. The new stock was paid for in nine instalments, the last payment having been made 1909. The proceeds derived from the sale of this stock were used to construct additional mileage, to increase terminal facilities, to purchase new lines, etc.

During 1908-9, the Oregon Short Line R. R. (Union Pacific System) disposed of the balance (\$1,914,000 stock June 30, 1908) of its holdings of the stock of this company. These holdings amounted to the equivalent of \$29,290,885 stock on June 30, 1905.

For details regarding the purchase in 1901 of control of the Chicago, Burlington & Quincy R. R. jointly by the Great Northern Ry. and the Northern Pacific Ry., see under Chicago, Burlington & Quincy R. R.

LAND DEPARTMENT.

As of December 31, 1927, the Northern Pacific Ry. owned 5,585,874 acres of land unsold. Land operations in recent years have resulted as follows:

	Acres Sold	Amount Realized
Year 1927	134,098	\$1,618,651
Year 1926	133,905	1,862,056
Year 1925	114,333	2,252,934
Year 1924	127,176	2,161,586
Year 1923	89,197	1,990,022
Year 1922	158,439	1,817,301
Year 1921	72,708	1,404,070
Year 1920	126,428	2,114,423
Year 1919	129,446	1,672,205
Year 1918	162,315	1,989,261
Year 1917	994,635	7,775,603
Jul.-Dec. 1916	741,863	3,789,541
Year 1915-16	1,283,068	6,432,518
Year 1914-15	1,004,018	4,124,580
Year 1913-14	588,934	3,458,379
Year 1912-13	526,374	3,040,126
Year 1911-12	154,286	1,524,038
Year 1910-11	138,584	1,495,892
Year 1909-10	539,128	3,977,900
Year 1908-9	350,060	1,807,726
Year 1907-8	159,271	1,217,107
Year 1906-7	216,743	1,703,202
Year 1905-6	164,032	1,110,146

Land contracts on hand December 31, 1927, aggregated \$3,761,602. In each of the past eight years acreage included in cancelled contracts has exceeded acreage in new sales. Payments made under cancelled contracts are retained, however, and the lands may be resold.

Although the Supreme Court on April 11, 1921, had decided in favor of the company on the question of the Government's right to include within the boundaries of National Forests lands which the company claims as indemnity under its original land grants, the President, at instance of the Secretary of Agriculture, in 1924 approved a review by Congress of the whole matter and ordered issuance of patents on lands suspended meanwhile. Hearings were held by Congress in 1925 and 1926. A resolution was adopted by Congress early in 1927 prohibiting the issuance of patents until June 1, 1928, and continuing the joint Congressional committee of investigation.

COAL DEPOSITS.

Estimated at twenty billion tons, deposits of very high grade sub-bituminous coal underly an area of several hundred square miles in the Rosebud field, South Central Montana. The Northern Pacific Ry. owned some of these tracts, and in 1924 decided to acquire additional land, or rights therein, with the purpose of securing locomotive fuel supply (for mileage between the Missouri River and Bitter Root Mountains) at substantially lower cost than from the company's underground mines in the Red Lodge field. A branch, 30 miles, Forsyth to Colstrip, Montana, was completed September 1, 1924, at cost of \$1,361,000, and to December 31, 1925, 800,000 tons of coal had been taken out by open pit method. In 1925 cost of "Rosebud" coal was \$1.51 per ton against \$4 for "Red Lodge" although 1 ton of the latter was equivalent to 1.4 tons of the former.

OIL DEVELOPMENT.

To investigate oil-bearing possibilities of grant lands in Central and Eastern Montana, the Absaroka Oil Development Co. was formed in 1920 with authorized capital of \$1,000,000. Control of this company is retained by the Northwestern Improvement Co. (whose entire stock owned by Northern Pacific Ry.). Drilling operations having failed to produce oil in satisfactory amount operation were suspended in 1925. Activity by other companies under Absaroka permits, however, is encouraged.

SPOKANE, PORTLAND AND SEATTLE RY.

The Northern Pacific Ry., jointly with the Great Northern Ry., owns the Spokane, Portland & Seattle Ry., which owns a line of road from Portland, Ore., to Spokane, Wash. This company and its subsidiaries in 1927 operated 916 miles of road.

In payment for advances, the Northern Pacific Ry. holds \$20,000,000 stock (one-half) and \$36,855,000 (of which \$5,000,000 are owned by Northwestern Improvement Co.) of the First Mortgage 50-year 4% bonds (due 1961—\$125,000,000 authorized) of the Spokane, Portland & Seattle Ry. The Great Northern Ry. owns an equal amount of stock and bonds.

For the year 1927, the operating revenue of the Spokane, Portland & Seattle Ry. and subsidiaries was \$11,493,654 (in 1926, \$11,392,977) and net loss was \$1,385,930 (in 1926, \$1,404,557) after accruing \$3,322,615 interest and \$444,618 amortization of funded debt.

RAIL STATEMENT.

As of December 31, 1927, main line (2,947 miles) and additional track (649 miles) contained:

59 miles of 130-pound steel,	79 miles of 72-pound steel,
722 " " 100- " "	44 " " 66- and
2,416 " " 90- " "	67-pound "
270 " " 85- " "	3 " " 60- " "
2 " " 80- " "	2 " " 56- " "

In 1924, 100-pound rail was adopted as standard for main line and 130-pound for very heavy curves and mountain grades.

Branches (3,460 miles) December 31, 1927, contained:

1 mile of 100-pound steel	403 miles of 66-and
416 " " 90- " "	67-pound steel,
792 " " 85- " "	22 " " 60- " "
1,066 " " 72- " "	711 " " 56- " "
48 " " 70- " "	

BALANCE SHEET.

At December 31, 1927, Current Assets were \$35,810,911 (including \$11,653,089 Material and Supplies) and Current Liabilities were \$17,347,589. Credit to Profit and Loss was \$175,242,480, and Total Corporate Surplus \$193,050,628, this figure including \$17,010,163 Funded Debt Retired through Income and Surplus. Current Assets did not include \$710,405 bonds of non-affiliated companies, \$1,372,650 U. S. Treasury notes, and \$3,761,602 contracts for sale of land grant lands, which were carried as Other Investments. Investments in Affiliated Companies were carried at \$180,053,432 (including \$144,085,285 stocks). The Interstate Commerce Commission ordered the company to pay the Government \$1,300,000 in connection with the settlement of the guaranty period claim. Appeal by the company was denied by the Supreme Court and on January 3, 1928 payment was made as ordered.

UNION PACIFIC R. R.

See Table, page 182.

The preferred stock is limited to 4% non-cumulative dividends. The dividend on the common stock was raised in October, 1906.

from 6% to 10% and it was stated that the additional 4% was paid from income from investments. In July, 1914, the rate was reduced from 10% to 8% (see next paragraph). In December, 1916, an extra dividend of 2% was paid, making 10% for the year, and the 10% rate has been since continued. Dividends on the preferred stock are paid semi-annually, April and October, and on the common stock quarterly, beginning January 1.

A dividend was paid to holders of common stock of record March 2, 1914, as follows: \$3 a share in cash, \$12 par value in Baltimore & Ohio R. R. preferred and \$22.50 in common. The income from these stocks and the cash, it was figured, would amount to about \$2 per annum. Following this distribution, the rate on Union Pacific R. R. common stock was reduced to 8% (later restored to 10%, see above). Total B. & O. stocks distributed were \$48,742,965 common and \$25,996,248 preferred. In consequence, Profit and Loss account in 1913-14 was charged \$74,-020,372.

In April, 1928, there were 49,096 holders of preferred or common stock.

VALUATION.

Based on inventories taken as of June 30, 1919, for Union Pacific R. R., June 30, 1916, for Oregon Short Line and Oregon & Washington R. R. & Navigation Co. and June 30, 1919, for Los Angeles & Salt Lake R. R., the valuations reported by the Interstate Commerce Commission for physical properties of the system were combined as follows by the company:

Value as of different dates for carrier property, including \$16,748,600 for working capital.....	\$523,428,040
Value for non-carrier physical property.....	16,428,914
Total	\$539,856,954
This compares with book value of.....	\$685,745,544
To which should be added allowance for working capital	\$16,748,600
Considering working capital, the difference between valuation and property account was.....	\$162,637,190
Depreciation reserves, principally for equipment, were.	\$21,982,841
Considering depreciation reserves, the difference between valuation and property account was.....	\$140,654,349
To bring the valuations to December 31, 1926, the following compilation was made:	
Value including working capital.....	\$523,428,040
Value of non-carrier physical property.....	16,428,914
Expenditures on carrier property, less retirements, from valuation dates to December 31, 1926.....	152,703,216
Expenditures on non-carrier property.....	368,977

Investments in affiliated companies, shown in the 1926 report at \$43,261,576, but taken at net asset value per affiliated companies' books of.....	\$67,717,384
Investments in securities of other companies, as shown at cost in the 1926 report, the market value being greater	191,899,097
Net of all other assets (except material and supplies for which allowance was made in valuations reported)	5,839,431
Total	\$958,375,059
Funded Debt	\$412,770,925
	\$545,604,134
Preferred Stock	99,543,500
	\$446,060,634
Common Stock	222,293,100
Excess	\$223,767,534

STOCK OWNED OF NON-AFFILIATED COMPANIES.

December 31, 1927.

	Par Val.	Book Val.
Balt. & Ohio R.R. pref. (cost 92.50).....	\$1,805,992	\$1,444,794
Balt. & Ohio R.R. com. (cost aver. 92)....	3,594,035	3,306,512
Chi. & N. West. Ry. com. (cost 167.97) (a)	4,420,600	7,152,274
Chi., M. & St. P. Ry. pfd. (cost 100) (b)	1,845,000	1,845,000
Ill. Cen. R.R. pfd. (cost 100)..... (c)	6,975,000	6,975,000
Ill. Cen. R.R. com. (cost aver. 157.55) (d)	24,750,000	34,791,000
N. Y. Cen. R.R. stock (cost about 123) (e)	24,970,000	25,364,498
R.R. Securities Co. pfd. (cost about 101)..	1,936,900	1,957,203
R.R. Securities Co. com. (cost about 140)	3,486,420	7,054,593

(a) \$4,018,700 pledged; (b) pledged; (c) \$2,852,000 also owned by Railroad Securities Co.; (d) \$8,700,000 pledged; \$10,120,000 (cost, \$15,540,320; book value, \$10,730,209) also owned by Railroad Securities Co.; (e) \$20,000,000 pledged.

In 1922, \$8,946,782, cost of \$10,343,100 Chicago & Alton R. R. preferred stock then owned, was entirely written out of investment account, and \$8,417,000 face value of General Mortgage 6% bonds were written down \$6,132,750, a total charge of \$15,259,532 being made against \$50,000,000 special reserve for depreciation of securities. During 1924, \$1,250,000, and during 1925, \$9,093,100, stock was sold and the proceeds, \$1,557,353, were credited to the special reserve for depreciation of securities.

In 1926, 44,000 rights issued by Reading Co. to subscribe to coal company stock were sold at profit of \$731,060 which was credited

to Profit and Loss. These rights had been received from New York Central R. R. stockholdings under subscription privilege in 1924. The rights were sold to Railroad Securities Co. which showed a cost of \$951,500 for 22,000 subscribed Coal Co. certificates of interest.

Total stocks of other than affiliated companies owned December 31, 1927, were \$75,403,947 par value (1926 and 1925, \$71,513,947; 1924, \$68,338,947; 1923, \$65,088,947; 1922, \$62,838,947; 1921, \$70,932,147 including Chicago & Alton stocks) carried at book value of \$93,904,167.

BONDS OWNED OF NON-AFFILIATED COMPANIES.

(Partial List)

December 31, 1927.

Baltimore & Ohio Ref. & Gen. Mtge. 5%.....	\$4,000,000
Baltimore & Ohio S. W. Div. 1st Mtge. 5%	2,000,000
Chicago & Alton Gen. Mtge. 6%.....	*8,417,000
Chicago & North West. Gen. Mtge. 5%.....	2,500,000
Chicago & North West. Gen. Mtge. 4%	2,000,000
Chicago & North West. 10-year 7%.....	1,500,000
Chic., Mil. & St. Paul Gen. and Ref. 4½%.....	2,500,000
Chic., Mil. & St. Paul Gen. Mtge. 4½%.....	1,857,000
Chic., St. Paul, Minn. & Om. Deb. 5%.....	3,700,000
Delaware & Hudson 10-year 7%.....	2,500,000
Gt. Northern Gen. Mtge. 7%.....	1,000,000
Ill. Cent. & Chic., St. L. & N. O. Jt. 5%.....	5,000,000
New York Central Ref. & Imp. 4½%.....	3,000,000
New York Connecting R. R. 1st Mtge. 4½%.....	3,000,000
Penna., Ohio & Det. 1st & Ref. 4½%.....	2,500,000
Penna. R. R. Consol. Mtge. 4½%.....	1,000,000
Penna. R. R. Gen. Mtge. 4½%.....	3,100,000
Penna. R. R. 15-year Sec. 6½%.....	2,500,000
Southern Pacific Co. (Cent. Pac. coll.) 4%	6,399,000
Southern Pacific R. R. 1st Ref. 4%.....	6,026,000

**Written down to \$2,284,250 book value in 1922.*

Including numerous equipment trust and other issues, bonds owned December 31, 1927, of other than affiliated companies, amounted to \$86,010,145 (1926, \$79,222,437) par value carried at \$76,627,577 (1926, \$69,997,954) book value. In addition \$31,847,500 (1926, \$31,807,200) United States Liberty and Treasury issues were held free in the treasury. In 1922, \$12,136,000 Utah Light & Traction bonds were sold at profit of \$1,021,530, which was credited to Profit and Loss.

Of non-affiliated company securities there were pledged December 31, 1927, \$30,000,000 bonds to secure the U. P. 6% bonds due July 1, 1928, and \$34,563,700 stocks under the Oregon Short Line 4% Refunding Mortgage due December 1, 1929.

Stocks of affiliated companies (\$33,724,853 par value, \$20,495,548 book value, all unpledged) included the \$5,000,000 stock (book value, \$49,000) of Union Pacific Coal Co. (paid \$1,750,000 dividends in 1927, 1926, and 1925 and \$1,250,000 in 1924 and 1923), \$12,000,000 stock (one-half) of Pacific Fruit Express Co. (paid \$3,600,000 dividends in 1927, \$2,400,000 in 1926, 1925, and 1924, \$4,200,000 in 1923), and a majority of the stock of the St. Joseph & Grand Island Ry. Formerly the \$500,000 stock of the San Francisco & Portland Steamship Co. was owned and \$250,000 dividends were received in 1924 and 1923; this company was dissolved in 1926.

Earnings of Union Pacific Coal Co. and subsidiaries applicable to dividend payments were \$2,007,961 in 1927, \$1,800,239 in 1926, \$1,771,761 in 1925, \$1,282,278 in 1924, and \$1,361,679 in 1923. Credit balance to Profit and Loss at December 31, 1927, was \$9,600,612. Cash was \$2,343,185 of which \$2,046,898 was on deposit with Union Pacific System.

Dividends received on stocks owned (including those from miscellaneous affiliated companies) in 1927 were \$10,276,594 (1926, \$8,893,880; 1925, \$8,725,895; 1924, \$8,122,395; 1923, \$9,473,676; 1922, \$7,888,049) and interest received on bonds, etc., was \$6,195,669 (1926, \$5,909,971; 1925, \$6,103,127; 1924, \$6,433,990; 1923, \$6,008,541).

LOS ANGELES & SALT LAKE R. R.

From 1903 to 1921, the San Pedro, Los Angeles & Salt Lake R. R. (now Los Angeles & Salt Lake R. R.) was developed by Oregon Short Line R. R. and Senator W. A. Clark and associates with equal interests. Main line extends from San Pedro Harbor and Los Angeles to Salt Lake City. In April, 1921, the Union Pacific purchased from Senator Clark and associates the other half interest in this property, represented by \$12,500,000 of the \$25,000,000 capital stock and \$29,511,000 of the \$59,022,000 4% bonds. Cost was \$20 a share cash for the stock, and par for the bonds, paid 50% in Oregon-Washington R. R. & Navigation First and Refunding 4% bonds, 30% in Southern Pacific R. R. First and Refunding 4% bonds, and 20% in Southern Pacific Co. San Francisco Terminal First Mortgage 4% bonds. These bonds had been owned by Union Pacific R. R. With complete control, the Los Angeles & Salt Lake R. R., effective January 1, 1922, was included as part of the Union Pacific System, "assuring the permanency of the Union Pacific's position in Southern California with its own rails to Los Angeles and the Pacific Ocean at Los Angeles Harbor" (quoted from 1921 annual report). Accounts of Los Angeles & Salt Lake were consolidated with those of Union Pacific in 1922 (stock and bonds being excluded from "Investments in Affiliated Companies," etc.).

A test case was made of the proceedings in valuation of the property of this company under the law. In February, 1927, the Supreme Court refused to enjoin the Interstate Commerce Commis-

sion from serving the valuation found as an "order", on the grounds that it was simply a report of the results of an investigation and no injury could be suffered by the company until it was used as the basis for action. The Court said: "When the final report is introduced in evidence the opportunity to contest the findings therein made is fully preserved to the carrier."

SOUTHERN PACIFIC CO. STOCK.

In 1912, the U. S. Supreme Court held that ownership of Southern Pacific Co. stock by Union Pacific R. R. was in contravention of the Sherman Anti-Trust statute, and directed that such stock be disposed of in a manner effectually to prevent the control of the Southern Pacific Co. by or in the interest of the Union Pacific R. R. A plan was formulated providing for the exchange of \$38,292,400 Southern Pacific Co. stock for \$21,273,600 preferred and \$21,273,600 common stock of Baltimore & Ohio R. R. held by the Pennsylvania R. R., for the deposit with a trustee of the remaining \$88,357,600 Southern Pacific Co. stock held by Union Pacific, for issuance of trustee certificates against deposited stock share for share, but under such restrictions that the certificates could not be converted into Southern Pacific stock by any owner of Union Pacific stock, and for sale of such certificates to all shareholders, preferred and common, of the Union Pacific R. R. The Southern Pacific Co. stock trust certificates were offered at \$92 to stockholders for subscription in 1913.

The Baltimore & Ohio R. R. preferred and common stocks, purchased with Southern Pacific Co. stock from Pennsylvania R. R., were taken up on the books of the company at the market value as of the date on which the transaction was consummated. There resulted a profit of \$16,099,190 on the sale of Southern Pacific stock which was credited to Profit and Loss account during 1915-16 fiscal year.

DISPOSITION OF CENTRAL PACIFIC.

In 1922, following the Supreme Court decision for divorce of Central Pacific from Southern Pacific, application was made to the Interstate Commerce Commission by Southern Pacific to continue its control of Central Pacific as conformant with the Transportation Act. The Union Pacific R. R. intervened in this proceeding. The Commission in February, 1923, approved Southern Pacific's control of Central Pacific subject to conditions requiring co-operation between Union and Southern Pacific in maintaining service and equable rates and in soliciting maximum traffic over Central Pacific. In the 1922 annual report of Union Pacific it was stated: "Both the Southern Pacific and the Union Pacific regard the Commission's disposition of the controversy as a wise and constructive solution of a problem involving great difficulties and as a solution which adequately protects not only

the interests of the railroad companies immediately concerned but also the public interest generally, and are co-operating harmoniously and earnestly to carry out the letter and spirit of the Commission's decision * * *" (See under Southern Pacific.)

RESULT OF INVESTMENT IN NORTHERN SECURITIES CO.

An accounting in respect of the cost of Northern Securities Co. stock and of Great Northern Ry. and Northern Pacific Ry. stocks received in the distribution of the assets of the Securities Co., also in respect of transactions having to do with stocks subsequently acquired under subscription rights and proceeds from the sale of these stocks, to *June 30, 1910*, was as follows: Cost of \$82,491,871 Northern Securities Co. stock, \$79,459,691; subscription to Great Northern Ry. and Northern Pacific Ry. stocks, \$9,931,710; total \$89,391,401; amounts realized from sale of securities, \$147,377,342; profit, \$57,985,041.

From June 30, 1910, to June 30, 1915, this profit had been increased to \$58,855,677. Of this amount \$4,955,479 was credited to Profit and Loss in 1904-5, and \$53,728,678 was credited to Profit and Loss in 1910-11. (See "Earning Power of Railroads" 1916 and earlier editions.)

OTHER STOCKS SOLD.

There were sold in 1909-10, \$10,000,000 Atchison, Topeka & Santa Fe Ry. preferred stock for \$10,491,703 (\$104.92 per share; original cost \$103.95 per share); in 1908-9, \$7,280,000 Chicago, Milwaukee & St. Paul Ry. common stock for \$9,982,187, and \$641,565 Illinois Central R. R. stock for \$948,806.

RESERVE FOR DEPRECIATED SECURITIES.

The market value of investment securities in 1913 showed a large depreciation, and it seemed proper either that the book values should be written down approximately to market value, or that there should be created a reserve to cover whatever actual loss might eventually be taken. It was determined to appropriate out of surplus and set up as a "Reserve for Depreciation of Securities" the sum of \$50,000,000. Accordingly, this amount in 1913 was charged to Profit and Loss and credited to "Reserve for Depreciation of Securities" under the head of "Appropriated Surplus." The credit to this reserve was reduced to \$35,418,052 by distribution of the B. & O. stock in 1914. In 1917, \$14,581,948 was debited to Profit and Loss and credited to the reserve, restoring it to \$50,000,000. In 1922, \$15,259,532 was charged this reserve in writing down Chicago & Alton securities, the reserve being reduced to \$34,740,468. In 1925, the proceeds from sale of Chicago & Alton stock, \$1,557,353, were credited to the reserve which owing to unstated additional adjustments amounted to \$34,972,571 on December 31, 1925, and has not been changed since.

GENERAL.

As of December 31, 1927, the Land Department held, as an asset for the Improvement and Equipment Fund, 933,729 acres of land unsold, the value of which was estimated at \$2,148,856. Principal of deferred payments on land contracts amounted December 31, 1927, to \$62,378. During 1927, 160 acres were sold and 720 acres surrendered (1926, 2 and 657).

Main track (5,642 miles) contained December 31, 1927:

2,591 miles of 100-pound steel,	4 miles of 80-pound steel,
2,962 " " 90- " "	80 " " 75- " "
1 " " 85- " "	3 " " 70- " "

and lesser weights.

Branches (4,760 miles) contained:

6 miles of 100-pound steel,	770 miles of 80-pound steel,
952 " " 90- " "	1,440 " " 75- " "
21 " " 85- " "	828 " " 70- " "

744 miles of lesser weights.

BONDS.

To pay for construction of extensions, branches, additional main track, betterments, etc., and for purchase of rolling stock, \$20,000,000 First Lien and Refunding Mortgage bonds, due 2008, were sold in September, 1923, bearing interest at 5%. The additional 1% not provided in the mortgage indenture was secured under a supplemental indenture by a lien on property covered by the First Lien and Refunding Mortgage but subordinate to it. Including this issue \$85,842,600 First Lien and Refunding bonds (including sterling bonds) are now outstanding.

In 1907, the company sold \$73,762,000 face value of an authorized issue of \$75,000,000 of 20-year 4% convertible bonds, proceeds being applied to the discharge of current liabilities. These bonds, due July 1, 1927, were offered to stockholders at 90. Privilege of conversion into common stock at \$175 per share expired July 1, 1917. Of this issue \$46,926,775 bonds were converted into \$26,815,300

In 1927, the remaining \$26,835,225 bonds were refunded at maturity by sale at 94¾ to bankers of \$26,835,000 40-year 4½% unsecured bonds. This issue is redeemable at 102½ July 1, 1932 to 1962, and ¼% less each six months thereafter.

To refund a like amount of U. P. 6% bonds due July 1, 1928, there were sold in May, 1928, \$20,000,000 4% bonds due 1968 at 90½ to bankers. This issue is a direct obligation of the company but not secured by mortgage although the bonds will be secured ratably under any mortgage created subsequently.

TREASURY POSITION.

As of December 31, 1927, Current Assets (including \$16,002,243 Material and Supplies and \$29,420,271 Cash and Demand Loans or

Deposits, but not including \$31,847,500 par value of U. S. Government securities) were \$64,199,637, and Current Liabilities \$40,158,927. Credit balance to Profit and Loss was \$216,440,025, in addition to \$65,964,574 Appropriated Surplus which includes the \$34,972,571 "Reserved for Depreciation of Securities" and \$30,309,935 "Appropriated for Additions and Betterments."

NORTHWESTERN PACIFIC R. R.

See Table, page 183.

This railway extends from San Francisco (ferry connections) northward to Eureka and Trinidad, Cal., with branches. Owned mileage totals 496 (including 39 miles narrow gauge) of which 27 miles are leased to Albion Lumber Co. (subsidiary of Southern Pacific) and 10 miles to other lumber companies.

No dividends are paid on the \$35,000,000 stock of this company, one-half owned by Southern Pacific Co. and one-half by Atchison, Topeka & Santa Fe Ry.

The company at the close of 1927 had outstanding \$28,884,000 4½% First and Refunding Mortgage bonds, due 1957, of which \$26,820,000 were owned by the Southern Pacific Co. The company was authorized in July, 1923, to issue \$1,208,000 additional First and Refunding 4½% bonds and \$360,000 were sold.

In September, 1928, the Southern Pacific Co. proposed to purchase the half of the company's stock held by the Atchison for \$4,443,349 or cost plus advances without interest.

Current Assets, December 31, 1927, were \$1,059,051, including \$647,151 Material and Supplies, and Current Liabilities were \$976,311. Credit balance to Profit and Loss was \$2,664,725 and Appropriated Surplus \$422,697. Unamortized Discount on Funded Debt was \$1,112,095.

TONOPAH & GOLDFIELD R. R.

See Table, page 184.

The preferred stock is entitled to non-cumulative dividends of 7% per annum. The Tonopah Mining Co. owns a majority of the common stock.

Dividends on the two classes of stock have been paid as follows:

	1907	'12	'13	'14	'15	'16	'17	'18	'19-'20	'23	'24
Common %....	10	3	7½	7	10½	7	3½	10½	7	7	3
	1907	1912-20			1921-2	1923-6		1927			
Preferred %.....	10	7			0	7		0			

Through operation of a sinking fund, the entire \$1,120,000 funded debt was paid off between June 30, 1907 and December 31, 1917.

In November, 1927, the company offered to pay stockholders \$50 a share for any or all of the preferred stock outstanding. At the

close of the option period January 10, 1928, approximately 90% had been surrendered.

Of the 92,070 freight tonnage carried in 1927 (90,598 in 1926; 97,917 in 1925), 64,349 tons (62,089 in 1926; 59,513 in 1925) were ores and concentrates almost entirely originating on this railroad.

As of December 31, 1927, Current Assets (including \$68,863 Cash, \$135,000 Demand Loans, and \$80,147 Material and Supplies) were \$541,815 and Current Liabilities were \$38,506. Credit balance to Profit and Loss was \$446,694.

COPPER RANGE R. R.

See Table, page 185.

This railroad extends from Calumet, Mich., to Mass City, Mich., (93 miles), with branches extending to various mining districts. The principal commodity is copper ore, although a comparatively large amount of general freight and passengers is handled. In November, 1925, a passenger bus line operating in Houghton County was acquired and results have been satisfactory.

The entire \$4,244,300 stock outstanding, December 31, 1927, was in the treasury of the Copper Range Co. (which controls the Atlantic Mining Co., the Trimountain Mining Co., the Champion Mining Co., etc.). Likewise, of the \$2,280,000 First Mortgage 5% bonds (due 1949) outstanding, \$870,000 were held by the Copper Range Co.

In 1909 a dividend of 10% was paid. In 1922, 10% was paid and charged to Profit and Loss. No dividend was paid in 1923, 1924, 1926 or 1927. In 1925, 15% (dividend No. 3) was paid from Profit and Loss.

Credit balance to Profit and Loss December 31, 1927, was \$488,545.

DULUTH, SOUTH SHORE & ATLANTIC RY.

See Table, page 186.

The preferred stock is entitled to 6% non-cumulative dividends. No dividends have been paid.

Holders of \$1,077,000 Marquette, Houghton & Ontonagon R. R. 6% bonds due April 1, 1925, consented to extend the bonds for ten years with principal and interest guaranteed by D. S. S. & A. Ry.

As of December 31, 1927, the Canadian Pacific Ry. owned \$6,100,000 common and \$5,100,000 preferred stock of this road, \$15,107,000 (the entire issue) of Consolidated Mortgage 4% bonds and \$3,000,000 (the entire issue) of Income Certificates. The \$3,000,000 Income Certificates matured December 31, 1912. They were not paid off and on December 31, 1927, were carried among Current Liabilities.

The Duluth, South Shore & Atlantic Ry. owns \$794,200, a majority, of the stock of the Mineral Range R. R., held at \$751,995 book value.

As of December 31, 1927, the balance sheet of the Duluth, South Shore & Atlantic Ry. showed Matured Interest Unpaid (due to the Canadian Pacific Ry.) \$16,288,380. Current Assets on that date were \$1,892,463 (including \$693,701 Material and Supplies), and Current Liabilities (including Matured Interest Unpaid and \$3,000,000 Income Certificates Unpaid) were \$20,141,462. There was a debit balance to Profit and Loss of \$11,583,621.

Iron ore in 1927 contributed 1,163,014 (1926, 1,156,075) tons and forest products 1,655,298 (1926, 1,572,653) tons of 3,853,497 (1926, 3,778,348) tonnage carried.

CANADIAN PACIFIC RY.

See Table, page 187.

The preference stock is limited to 4% non-cumulative dividends. On the ordinary stock, dividends are paid quarterly (January) at the rate of 10% of which 3% represents an extra dividend payable from "special income," that is, dividends and interest received, and earnings of steamships, hotels, etc.; during 1910, the regular rate was 7% with 1% extra; prior to 1910, the regular rate was 6% with 1% additional.

CAPITAL STOCK SOLD.

In 1921, \$46,921,550 Consolidated Debenture 4% stock was sold for \$32,217,727. This does not include £295,572 stock (of a total £4,800,000 sold in London) which had not been delivered prior to December 31, 1921. Stock to the amount of \$25,000,000 par value was sold in New York. In 1922, \$17,024,463 Consolidated Debenture stock was sold (\$2,000,000 in New York) for an amount not stated. Discount on sale of this stock was included in Cost of Steamships and applied against premium on exchange in Reserves. In 1923, £2,600,000 Preference stock and £208,565 Debenture stock were sold in London and \$5,000,000 Debenture stock in New York. From the \$12,654,200 Preference stock (£ converted at \$4.867) there was realized \$9,856,911 and from the \$6,015,086 Debenture stock \$4,647,322. In 1924 £1,400,000 Preference stock was sold for \$5,385,914 in London and \$10,000,000 Debenture stock for \$7,900,000 in New York. The discounts on sale of these stocks were charged to Property Investment.

In August, 1927, \$32,500,000 ordinary stock was offered to stockholders in ratio of one new for eight old at \$150 a share and \$5,629,000 additional was offered for subscription by employees at the same price on a monthly installment plan. There remained \$1,871,000 of \$40,000,000 stock authorized for issuance and it was stated this would be sold in the market as conditions warranted. During the previous fifteen years no common stock had been issued.

During the seventeen and one-half fiscal years to *December 31, 1927*, the Canadian Pacific Ry. had sold stock and debentures as follows and received therefrom approximately the amounts below:

	Par Value	Realized
*Ordinary stock	\$175,500,000	\$242,595,455
Preference stock	£ 9,900,395	47,154,909
Consol. Deb. stock.....*	{ £ 26,908,393 } { \$ 33,000,000 }	150,608,939
Total (£ converted at \$4.867)	\$387,648,371	\$440,359,303

**Includes \$18,000,000 stock sold to stockholders in 1911-12 at \$150 per share. Includes also \$60,000,000 stock sold in 1912-13 at \$175 per share and \$2,000,000 stock sold in 1912-13 for \$4,860,822. See a following paragraph.*

Proceeds from sales of stock were used for equipment, improvements, construction, to cover cost of steamships, for acquisition of Canadian Pacific Ry. bonds and bonds of other companies, and for other purposes.

On June 30, 1902, \$65,000,000 ordinary stock was outstanding. Since that date ordinary stock was sold as follows (all to stockholders, with exception of \$3,984,000 sold in 1909, \$2,000,000 in 1912-13, and \$5,629,000 sold to employees in 1927, see above):

When Sold	Amount	Price
1902-3	\$19,500,000	Par
1904	16,900,000	Par
1906	20,280,000	Par
1908	24,336,000	Par
1909	3,984,000	Market
1909	30,000,000	\$125
1912	18,000,000	150
1913	60,000,000	175
1912-13	2,000,000	Market
*1927	38,129,000	\$150
	<u>\$233,129,000</u>	

**Also 1,871,000 remaining of \$40,000,000 total issue was to be sold in the open market.*

Premium on ordinary stock sold (less discount on collateral trust bonds and note certificates) stood at \$40,278,965 on December 31, 1927.

OTHER FINANCING.

In 1914, common stockholders were offered the right to subscribe at 80 to \$52,000,000 6% note certificates due 1924, at the rate of \$20 notes for \$100 common stock. A trust fund was established, known as the Special Investment Fund "to consist of the amounts due on deferred payment of land heretofore sold and securities in

which the proceeds of land sales have been invested," to effect the payment of principal and interest on these note certificates. The notes were redeemed in July, 1923.

In 1924, \$30,000,000 4½% note certificates were sold, likewise secured by assignment of amounts due on lands sold. These deferred payments amounted to \$54,739,615 on December 31, 1927. Proceeds from sale of the note certificate issue were \$26,889,000. Sinking fund applicable to the issue consists of income (principal and interest from land contracts) received by trustee in excess of amounts required for interest and beginning 1929 will not be less than \$300,000. To December 31, 1927, \$3,515,400 of the issue had been purchased by the trustee and cancelled and \$149,521 were held by the trustee.

In April, 1924, the company also sold \$12,000,000 ten-year collateral trust 5% bonds secured by deposit of \$15,000,000 4% Consolidated Debenture stock. Proceeds amounted to \$11,613,076.

In September, 1926, \$20,000,000 collateral trust 4½% 20-year bonds were sold. There was pledged \$25,000,000 Consolidated Debenture 4% stock as security. Proceeds were used to pay for steamships in construction for transatlantic service, branch line construction, and other purposes.

CONTROL OF OTHER RAILWAYS, ETC.

The Canadian Pacific Ry. owned on December 31, 1927, a 50.5% majority (\$6,361,800 preferred and \$12,723,500 common) of Minneapolis, St. Paul & Sault Ste. Marie Ry. stock; also \$3,993,000 First Mortgage bonds of that company. The Canadian Pacific Ry. guarantees interest on a number of "Soo" bonds, excepting principally various notes and the First Refunding bonds issued under mortgage created in 1921.

As of December 31, 1927, the Canadian Pacific Ry. owned \$18,107,000 bonds and income certificates and \$11,200,000 preferred and common stocks of the Duluth, South Shore & Atlantic Ry. See that road.

The total par value of securities owned by the Canadian Pacific Ry. as of December 31, 1927 was \$229,166,195 and the book value was the cost of \$171,682,980. These were mostly securities of leased, controlled, or affiliated companies. Included were \$47,145,750 Miscellaneous Investments, carried at \$25,972,593 cost, of which the principal items were the stocks of the M., St. P. & S. S. M. Ry. and D., S. S. & A. Ry. and stock of the Consolidated Mining & Smelting Co.

Of the \$12,721,575 par \$25 stock of Consolidated Mining & Smelting Co. outstanding at the close of 1927, Canadian Pacific Ry. owned \$6,229,150, having increased its proportionate ownership from 47.92% to 48.97% during the year. Regular 6% (\$1.50) dividends were paid on this stock for several years with extras of 20% in 1925 and 32% in 1926. In 1927 the regular rate was increased to 10% and 40%

extra was paid. This company in 1926 produced 8% of the ~~the~~ was supply of lead and 5% of the zinc. ~~due~~

LANDS OWNED.

As of December 31, 1927, the Canadian Pacific Ry. owned 5,469,933 acres of land carried on the balance sheet at \$67,413,232, mostly agricultural lands in Alberta, Saskatchewan and British Columbia, and also owned townsite acreage valued at \$14,447,732, other lands, buildings, demonstration farms, timber mills, etc., valued at \$2,868,297, and company's collieries valued at \$1,980,520; total \$86,709,784. Rights to coal in 3,000,000 acres, to natural gas in 100,000 acres, and to petroleum in 50,000 acres (revenue from areas under lease to December 31, 1927, aggregated \$908,906) were carried at \$1 each.

Total sales of land (all grants) for the past twenty fiscal years have been:

Years	Sales	Realized
1906-7	994,840 acres	\$5,887,377
1907-8	164,450 "	1,569,165
1908-9	376,046 "	5,085,517
1909-10	975,030 "	14,468,564
1910-11	650,874 "	9,558,427
1911-12	669,639 "	10,710,143
1912-13	474,798 "	7,487,268
1913-14	259,371 "	4,618,420
1914-15	231,297 "	3,742,115
1915-16	390,715 "	6,126,108
1917	789,055 "	14,330,811
1918	842,191 "	15,375,996
1919	681,763 "	13,668,443
1920	486,390 "	9,592,707
1921	153,304 "	2,872,999
1922	107,503 "	1,732,742
1923	53,122 "	938,175
1924	96,755 "	1,790,081
1925	172,484 "	2,644,492
1926	365,665 "	4,714,139
1927	430,368 "	5,111,798

In 1927 the cash receipts of the Land Department were \$6,005,655 and the sales expenses and irrigation costs were \$3,319,760, leaving \$2,685,895 (1926, \$2,308,660) net.

The deferred payments on land and town site sales were, on December 31, 1927, \$54,739,615. These deferred payments draw interest at 6%.

CANADIAN PACIFIC ACCOMPLISHMENTS.

Official statement in May, 1927, suggested by Canada's Diamond Jubilee, summarized some accomplishments up to that time as follows:

which
the

World's

573

maintaining 78 colonization offices outside of
ber, 1924, was directly responsible for settle-
cultivating 30,000,000 acres. It had expended
e inception for colonization, land settlement,
to March 31, 1926, had sold 14,705,605 acres
1% cash, no interest or other payment the first
price and interest amortized in 34 equal annual

the establishment of ready made farms, under
19 acres had been developed, containing 823 im-
proved la. 432 loan and demonstration farms. About \$20,-
000,000 had been spent on the Western and Eastern Divisions of the
Irrigation Block with 4,000 miles of canals and ditches

Company had tonnage of 469,000 in Lake, Coast, and Ocean service
with 100 agencies in 40 countries on five continents, owned and
operated 14 hotels and 11 bungalow camps, involving capital outlay
of \$34,100,000, and operated a telegraph wire mileage of 134,000 and
400 miles of cable.

Company had paid \$80,000,000 in taxes, and in eight years ended
1926 expended \$32,000,000 in branch line construction and \$71,000,000
for equipment. Personnel aggregated 81,000.

Cash invested in company's rail properties was \$964,537,000 and
par value of securities in hands of the public was \$678,450,000.

GENERAL

On December 31, 1927, the C. P. R. operated 14,575 miles of road
whose operations were included in Canadian Pacific Ry. returns, had
162 miles under construction, operated 485 miles of other line, and
controlled 5,070 miles, mostly in the United States, of the "Soo Line"
and Duluth, South Shore & Atlantic systems.

To preserve and increase traffic to and from points in New
England a lease of the Connecticut & Passumpsic Rivers R. R.
from the Boston & Maine R. R. was negotiated for 30 years from
March 1, 1926. The 64 miles in Vermont, Wells River Junction
to Newport, were leased for \$246,000 by Canadian Pacific Ry. and
the 40 miles in Canada, Newport to Sherbrooke, were leased by
Quebec Central Ry., a subsidiary.

The position of holdings of the common stock at different dates
was as follows:

	Dec. 31, 1927	March 1, 1921
United Kingdom	48.84%	47.80%
United States	26.20	24.10
Canada	18.02	17.73
Other Countries	6.94	10.37

FINANCIAL CONDITION.

As of December 31, 1927, Working Assets (including \$22,412,981
Material and Supplies) were \$79,848,068 and Current and Accrued

Liabilities were \$18,104,506. Investments and Available Range was (excluding Property Investment, see below) were carried at \$214,713 and chiefly consisted of \$54,739,615 Deferred Payments on Lands and Townsites (against which were \$26,335,079 outstanding C. P. R. 4½% notes), \$86,709,784 Assets in Lands and Properties, \$25,972,593 Miscellaneous Investments, and \$792,721 Provincial and Municipal Securities. Among other liabilities various Reserves and Appropriations were \$40,400,457. Combining \$40,278,965 Premium on Ordinary Stock Sold, \$73,721,857 Net Proceeds Lands and Townsites and \$143,796,822 Surplus Revenue from Operation with \$115,084,888 Surplus in other Assets, there was a Total Surplus of \$372,882,532.

Railway, Rolling Stock Equipment and Lake and River Steamers were carried at \$686,387,126 on December 31, 1927, Ocean and Coastal Steamships at \$76,591,844, Acquired Securities at cost of \$145,710,387, and Advances to Controlled Properties and Insurance Premiums at \$12,545,816.

TORONTO, HAMILTON & BUFFALO RY.

See Table, page 188.

The stock of this company is owned as follows: New York Central R. R., 37%; Michigan Central R. R., 22%; Canada Southern Ry., 14%; and Canadian Pacific Ry., 27%. These companies also own \$1,750,000 of the \$2,000,000 (\$10,000,000 authorized) Consolidated Mortgage 4½% bonds due 1966.

In October, 1912, a cash dividend of 20% was paid. At the same time \$1,000,000 additional stock was issued and sold at par to pay for improvements. From October, 1913, to July, 1914, quarterly dividends of 1½% were paid. In October, 1914, the dividend was passed. Dividends were resumed in 1916, 2¼% being paid; the 1917 and 1918 dividend was 5% (paid quarterly). In 1919, 1921, 1922 and 1923 6% was paid; none in 1920 and 1924. In 1925 6% was paid and also a 20% stock dividend was paid December 31, 1925. Dividends at the rate of 6% were paid in 1926 on the increased stock issue and 7% in 1927.

The First Mortgage 4% bonds due 1946, \$3,280,000 authorized and outstanding, are guaranteed as to interest under an agreement entered into by the companies in control, which provides that, if necessary, they will set aside to meet the interest 25% of gross earnings derived from interchange of traffic with the Toronto, Hamilton & Buffalo Ry.

Of the 3,169,647 tons of freight carried in 1927, 2,695,299 were received from connections.

The company owns the stock of Toronto, Hamilton & Buffalo Navigation Co., which operates a car ferry across Lake Erie from Ashtabula Harbor, Ohio, to Port Maitland, Ontario. The stock is carried at \$399,124; net surplus from operation of the Naviga-

which
the
T. & B.

resources
\$168,-

575

34,677, in 1926, \$127,962, in 1925, \$113,728, in \$155,155. In 1927, the company received a from the T., H. & B. Navigation Co. 1, 1927, Current Assets were \$1,961,357 (interior and Supplies) and Current Liabilities \$275,494 Loans and Bills Payable). Profit and was \$5,207,830 and Total Corporate Surplus

CUBA R. R.

See Table 9.

The entire common stock of this railroad was owned by Cuba Co. until the formation in 1924-25 of the Consolidated Railroads of Cuba. The latter at June 30, 1928, owned all the Cuba R. R. and Cuba Northern Rys. common stock. At the same date 98.79% of the common (voting) stock of Consolidated Railroads of Cuba was owned by Cuba Co. An option is held by Cuba Co. to purchase in June, 1930, any outstanding common stock of Consolidated Railroads of Cuba.

STOCK CHANGES, DIVIDENDS, ETC.

In June, 1923, 158,000 shares of \$100-par common stock of Cuba R. R. were exchanged for 500,000 no par shares. Dividends on this stock were \$2,000,000 in 1923-24, \$3,950,000 in 1924-25, \$2,650,000 in 1925-26, \$2,500,000 in 1926-27 and \$4,800,000 in 1927-28.

The former \$15,800,000 common stock included \$3,874,000 issued to Cuba Co. in 1912-13, becoming due to the latter upon completion of the railroad; also two stock dividends, one of \$2,000,000 paid January 3, 1916, and one of \$3,000,000 paid June 30, 1916. An initial 4% cash dividend was paid on the common stock May, 1913. In May, 1914, a semi-annual dividend of 3% was paid and the 6% rate maintained until 1917, when, owing to the revolution in Cuba, dividends were suspended.

The preferred stock is entitled to 6% non-cumulative dividends. An initial semi-annual dividend of 1½% was paid in August, 1909; 3% was paid in 1909-10; 4% in 1910-11; 5% in 1911-12; and 6% 1912-13 to 1916-17, in 1918-19 and 1919-20. In 1917-18, the dividend was paid in 6% scrip. No dividends were paid in 1921. Dividends were resumed with a semi-annual payment August, 1922.

BONDS ISSUED.

The First Mortgage 5% bonds of Cuba R. R. due July 1, 1952, may be issued at \$20,000 per mile. On June 30, 1928, \$14,418,000 were outstanding. In 1924-25, \$794,000, and in 1922-23, \$454,000 First Mortgage bonds were sold on account of construction of the Santa Cruz del Sur branch. In July, 1923, \$1,250,000 which had been held privately were sold to the public.

In December, 1921, a First Lien and Refunding Mortgage was authorized for \$50,000,000, and \$4,000,000 7½% bonds Series A, due 1936, were sold. The Camaguey & Nuevitas Ry. made its first mortgage, issuing \$4,000,000 bonds to the Cuba R. R. These bonds are pledged as part security under the First Lien and Refunding Mortgage.

In June, 1926, \$1,376,000 First Lien and Refunding 6% bonds Series B, due 1936, were sold. Proceeds were used to acquire the \$300,000 stock of Espirituano R. R., which has been pledged under the mortgage, and toward the purchase of equipment costing \$652,907. The Series A bonds are not redeemable; the Series B are subject to redemption at 102.

In June, 1910, an issue of Improvement and Equipment 5% bonds, due May 1, 1960, was authorized in amount not to exceed \$12,000 per mile of main track. In 1912, \$4,000,000 were sold and the proceeds used to retire \$2,000,000 6% 2-year notes due August 15, 1912, and for extensions, etc.

In December, 1915, \$3,000,000 3-year 5% notes were authorized, and proceeds from sale were used to purchase the Camaguey & Nuevitas Ry., carrying with the purchase a concession for the construction of a line from Camaguey to Santa Cruz del Sur (61 miles), which was completed in 1923. Construction of the road from Camaguey to Nuevitas was completed June 30, 1919.

CUBAN RAILROAD CONSOLIDATION.

The consolidation of Cuba R. R. and Cuba Northern Railways (the Tarafa property) was effected late in 1924 by formation of Consolidated Railroads of Cuba as a holding company to own the entire 500,000 common shares of Cuba R. R. and the \$14,000,000 capital stock of Cuba Northern Railways. The holding company on June 30, 1928, had issued all but a few shares (reserved to exchange for Cuba Northern stock) of its \$40,000,000 6% cumulative preferred stock and 400,000 no par value common shares.

The Cuba Northern Railways operate 288 miles of main line and branches, extending from Puerto Tarafa on Nuevitas Bay west to Santa Clara, and between San Fernando on the north coast and Jucaro on the south. The lines were extended to connect at Santa Clara with the United Railways of Havana, the extension being completed in December, 1927. See under Cuba Northern Rys. in this book.

MISCELLANEOUS.

The main line of Cuba R. R. extends from Santiago westward to Santa Clara (356 miles), where connection is afforded with the lines of the Cuba Northern Rys. and the United Railways of Havana, the latter forming with the Cuba R. R. a through route from Santiago to Havana. Branches extend to Manzanillo, Antilla

and to other important places. Total mileage operated June 30, 1928, was 783 (not including 9 miles leased to Compania Cubana).

In 1926 all the stock of the Espirituano R. R. was purchased and the property was merged. This road, about 26 miles, extends from a new south coast terminus at Port of Tunis de Zaza to a connection with Cuba R. R. at Sancti Spiritus. To pay for the purchase \$1,376,000 6% bonds were sold.

The Government of Cuba in 1917 and 1918, advanced to the railroad \$3,000,000 partly in cash and partly in Government 6% bonds to carry out improvements. These advances were repayable by services to be rendered by the company. Repayment was completed in 1923-24 and at June 30, 1927, there was due from the Cuban Government \$286,850 for Subsidies and Services.

Current Assets on June 30, 1928, were \$4,777,679 (including \$1,447,713 Materials and Supplies and \$1,140,981 Notes and Accounts Receivable) and Current Liabilities were \$2,437,747 (including \$600,000 Preferred Dividends Payable August 1, 1928, and February 1, 1929). Common Stock and Surplus was \$27,862,866 (Profit and Loss Surplus, 1921, \$8,622,127) while Unamortized Debt Discount and Expense was \$1,009,599.

In the 1925-1926 annual report of Cuba R. R. it was stated that the Interstate Commerce Commission system of accounting and control had been instituted.

In the 1927-28 annual report it was stated that \$600,000 in cash had been segregated from current cash, to constitute a special fund to be devoted exclusively to payment of preferred dividends, in the event that current earnings or surplus should be inadequate. This is a revolving fund and, when any part is expended it is to be restored before any dividend payment on the common stock.

CUBA NORTHERN RYS.

See Table, page 190.

The main line of this railroad extends 205 miles from Puerto Tarafa on the north coast of Cuba west to Santa Clara connecting with United Rys. of Havana. The mileage meets Cuba R. R. at various points. From Moron (104 miles west of Puerto Tarafa) the main line to Santa Clara has been completed and was officially opened on December 15, 1927. By the completion of this line the company earned the Governmental subsidy established by the Cuban Congress authorizing the extension to Santa Clara.

At Puerto Tarafa a deepwater terminal on Nuevitas Bay is owned which is equipped with 3 piers, 17 steel and concrete warehouses, to store 1,600,000 bags of sugar, to load 80,000 bags daily, and to accommodate nine vessels.

The Consolidated R. R's. of Cuba, which is controlled by Cuba Co., late in 1924 acquired the majority of the common stocks of Cuba Northern Rys. and Cuba R. R. In 1927-28 the balance of the

stock of the Cuba Northern Rys. was acquired, both this company and the Cuba R. R. now being wholly owned. Operations have been combined. In 1925-26 the Interstate Commerce Commission system of accounting and control was made effective.

The Cuba Northern Rys. was formed in 1916, later purchasing its main line of road from the Cuban Government. There was retired in August, 1924, an issue of \$1,000,000 4% preferred stock. No dividends have been paid on the common stock.

Outstanding on June 30, 1927, were \$10,000,000 First Mortgage 6% sinking fund bonds, due 1966, redeemable at 105, and \$2,510,000 Second Mortgage 7% sinking fund bonds, due 1970. In 1925-26, \$310,000 Second Mortgage 7s were sold. On July 1, 1927, both these issues were redeemed from proceeds of \$20,000,000 First Mortgage 5½% bonds Series of 1942 which were sold of a total of \$25,000,000 authorized. The mortgage has first lien on the entire property except certain rolling stock subject to \$1,200,000 trust certificates. A valuation of \$43,012,833 as of April 30, 1926, was found for the property under methods followed by the Interstate Commerce Commission. The proceeds were also applied to repay loans and to defray cost of the Santa Clara extension.

At June 30, 1928, Current Assets were \$3,068,295, including \$440,225 Materials and Supplies, and Current Liabilities were \$689,600, including \$435,018 Notes and Accounts Payable. Of \$2,458,878 due to the Government of Cuba, \$1,530,371 had been repaid by freight, passenger and mail service rendered and subsidy earned by construction of main line to Santa Clara. Surplus was \$10,140,587.

INTERNATIONAL RYS. OF CENTRAL AMERICA

See Table, page 191.

The preferred stock is entitled to 5% cumulative dividends and to equal participation with the common stock after 5% on the latter. No provision exists for redemption of the preferred stock. The preferred stock has equal voting rights with the common stock. Quarterly dividends at the rate of 5% were regularly paid on the preferred stock, July, 1912, to July, 1914, inclusive. Payments were resumed in July, 1923, and have since been maintained. Dividend accumulations have been discharged with 6% notes paid as follows: 12½% in February, 1917, 20% in June, 1921, and 11¼% in June, 1923. The first note issue matured and was retired in 1927, and the others mature in 1936. No common dividends have been paid.

In August, 1928, the authorized amount of common stock was changed from 300,000 shares of \$100 par to 500,000 shares of no par value.

In September, 1928, 15,000 shares of new no par common stock were issued to bankers in consideration of cancellation of an agree-

ment of the company to pay 5% of net earnings applicable to common stock during 10 years from January 19, 1927, in return for financial advice.

The company was incorporated in New Jersey in 1912, succeeding the Guatemala Ry. (which was formed in 1904 to take over and complete an existing Government line from the east coast inland) and acquiring the Guatemala Central R. R. (which extends to the west coast).

The First Mortgage bonds are authorized in amount of £6,000,000, or dollar equivalent, bear 5% interest and mature in 1972. Sinking fund of $\frac{1}{2}\%$ annually on the entire issue including bonds in sinking fund began in 1922 and is calculated to retire the entire issue by maturity. (Sinking fund may be increased at discretion of trustee.) No bonds may be issued or additional fixed charges created unless interest required on outstanding and proposed debt shall have been earned twice in the preceding twelve months. In March, 1925, \$1,600,000 and in October, 1925, \$1,250,000 additional bonds were sold.

In May, 1926, \$3,500,000 6% 15-year notes were sold, secured by pledge of First Mortgage bonds in principal amount equal to 150% of the notes and in market value to be kept equal to at least 110% of the principal of the notes. Proceeds of the issue were to be used for construction of new mileage.

In February, 1927, \$7,500,000 of \$50,000,000 authorized First Lien and Refunding bonds were sold. The \$8,000,000 bonds in the initial series bear $6\frac{1}{2}\%$ interest, mature in 1947, and are redeemable at 105 to February 1, 1930, at 102 to February 1, 1942, and at 100 thereafter.

The franchises under which the lines are operated expire from 1976 to 2009 and in most cases the property then will revert to the Government. For approximately 241 miles of tracks, the Republic of Guatemala in 1923 contracted to pay the company \$1,275,000. The lines are not subject to taxes. Maximum rates on traffic are fixed by charter.

Settlement of all accounts with the Guatemalan Government was effected early in 1927, the company receiving \$2,515,000 Government 8% bonds carrying 2% amortization.

The railroad has a 3-foot gauge. All viaducts and bridges are of steel. The company has an agreement with the United Fruit Co. for $33\frac{1}{3}\%$ reductions in freight and passenger rates on each other's lines.

A connection 55 miles or 90 kilometers in length, the Zacapa cut-off, has been constructed between Zacapa, a point midway on the line from Puerto Barrios to Guatemala City, and the Salvador frontier. The Government pays \$7,500 per kilometer for completed construction. To meet this extension, a line is being constructed in Salvador to the Guatemala frontier, and was to be completed in

February, 1929. By means of this cut-off, Salvador traffic may be hauled direct to Atlantic outlet at Puerto Barrios, instead of shipped via Panama Canal. Eventually traffic from the Pacific to Puerto Barrios on the Atlantic is expected to move by way of Salvador to take advantage of a maximum elevation of 2,900 feet instead of 5,000 in Guatemala and gradient about 2% instead of 3½%. Savings are expected in operating expense.

On December 31, 1927, Current Assets were \$4,531,859 including \$1,665,835 Materials and Supplies, and Current Liabilities were \$2,257,822 including \$786,221 Loans and Bills Payable. Credit balance to Profit and Loss was \$5,112,741, Sinking Fund Reserve was \$340,914 and Appropriated Surplus (Reserve against Other Investments) was \$401,729. Discount on Funded Debt was \$2,580,973.

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